CITY OF PAINESVILLE

Retail

Office

&

Industrial

Market Analysis

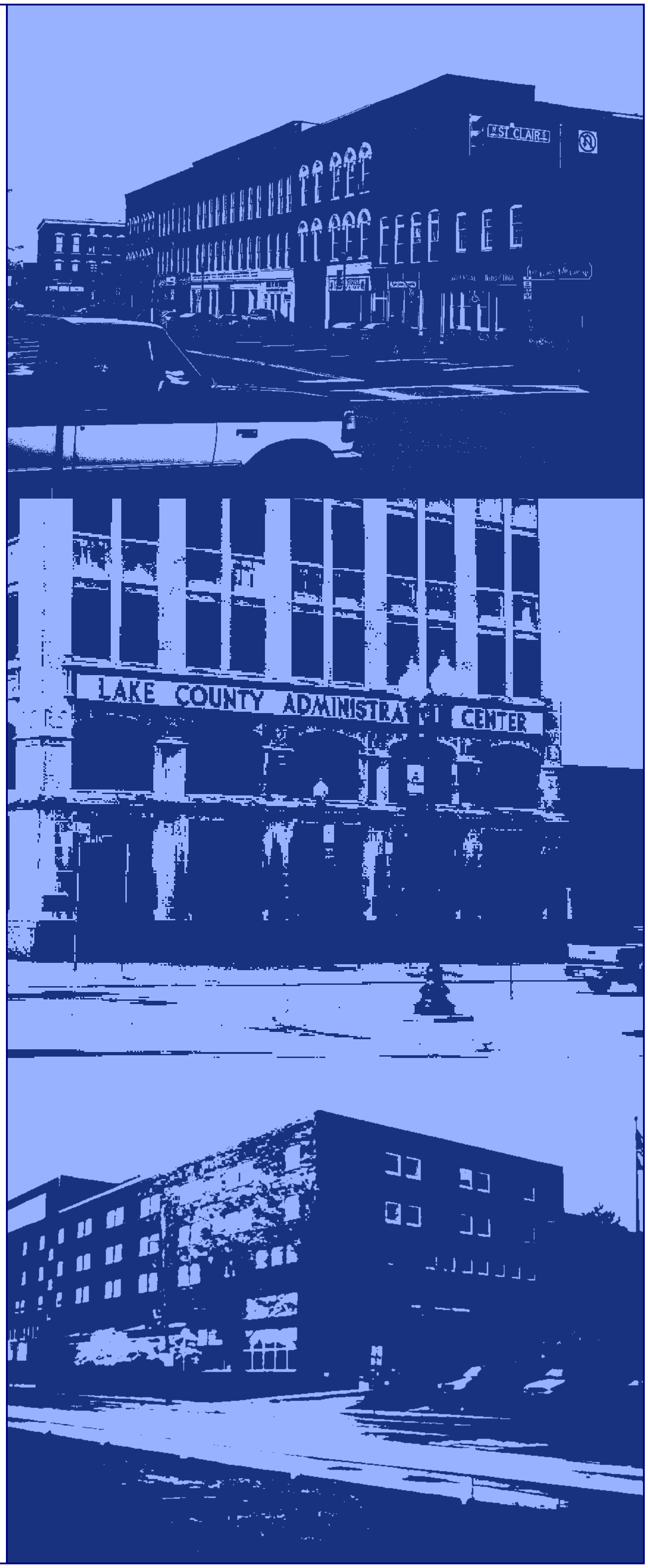
LakeEast Hospital

Relocation

Economic & Fiscal

Impact Analysis

NOV 2004



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ECONOMIC DEVELOPMENT

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1 Regional and Economic Context

The City of Painesville is one of 23 municipalities in Lake County in northeast Ohio. Covering 5.2 square miles, the City of Painesville is bounded on the north by the Villages of Grand River and Fairport Harbor; on the east by Painesville township; on the south by Concord township; and on the west by the City of Mentor. Painesville is located 30 miles east of the City of Cleveland and approximately 2.5 miles south of Lake Erie.

According to the 2000 Census, the City of Painesville is the fourth largest municipality in Lake County, following the cities of Mentor (50,278 residents), Willoughby (22,621), and Eastlake (20,255). It is also the seat of Lake County government.

The City of Painesville and Lake County are part of the Cleveland-Lorain-Elyria, OH Primary Metropolitan Statistical Area (PMSA). For the purposes of the 2000 Census of Population, the PMSA was defined as Ashtabula, Cuyahoga, Geauga, Lake, Lorain, and Medina Counties. Subsequently, the federal Office of Management and Budget made significant changes to U.S. metropolitan area definitions that went into effect in June 2003. As a result of these changes, a new Cleveland-Elyria-Mentor Metropolitan Statistical Area (MSA), comprised of Cuyahoga, Geauga, Lake, Lorain, and Medina Counties, replaced the previously defined PMSA. Since most of the metro-level demographic and economic data presented in this report was compiled prior to 2003, however, the Cleveland-Lorain-Elyria PMSA is used to define the metropolitan area unless otherwise indicated.

A. Population & Households

The Cleveland-Lorain-Elyria PMSA contains 20% of the population in the State of Ohio, with roughly 482,500 residents in the City of Cleveland. According to the Greater Cleveland Partnership, the Cleveland metropolitan area is one of the nation's primary markets. When aggregated with Summit and Portage Counties (the Akron PMSA), the area ranks as the 15th largest consumer market, with more than 1 million households and an effective buying income of more than $56 billion.

The following table compares the historical and projected population trends in the City of Painesville, Lake County, the Cleveland-Lorain-Elyria PMSA, and the State of Ohio as a whole. As the data illustrate, the population of the City of Painesville increased by approximately 1,800 between 1990 and 2000, with an average increase of 1.1% per year; Lake County's population grew at an annual rate of 0.6%. The rates of population growth in the City and the County were higher than those in the Cleveland metropolitan area (0.2%) and the State of Ohio (0.5%).

Market Area Population

					Average Annual Change %		
Market Area	**1990**	**2000**	**2004 (est.)**	**2009 (proj.)**	***1990-2000***	***2000-2004***	***2004-2009***
City of Painesville	15,712	17,503	17,427	17,379	1.1%	-0.1%	-0.1%
Lake County	215,499	227,511	229,769	232,443	0.6%	0.2%	0.2%
Cleveland-Lorain-Elyria PMSA*	2,202,040	2,250,871	2,248,299	2,244,374	0.2%	0.0%	0.0%
State of Ohio	10,847,115	11,353,140	11,454,693	11,576,840	0.5%	0.2%	0.2%

Source: U.S. Census Bureau, Claritas Data Services, and Camoin Associates.

* - Cleveland-Lorain-Elyria PMSA includes Ashtabula, Cuyahoga, Geauga, Lake, Lorain, and Medina Counties.

According to Claritas, the current (2004) population of the City of Painesville is an estimated 17,427 persons. Projections to 2009 indicate negligible rates of growth or decline in all comparison areas. An average annual decrease of 0.1% is projected for the City of Painesville over the next five years[1], while the populations of both Lake County and the State of Ohio are anticipated to increase by approximately 0.2% per year.

[1] Population estimates from the City of Painesville Community Development Department show a more positive picture, with an estimated 18,254 residents in 2004 and a projected population of 21,302 by 2009.

Census figures indicate that the City of Painesville has a somewhat younger population than Lake County or the State of Ohio overall. In 2000, the City had a median age level of 30.5 years, while the median age was 38.6 years and 36.2 years in Lake County and Ohio, respectively. Approximately 10% of City residents were aged 65 and over.

As shown in the table below, there were 6,525 households in the City of Painesville in 2000, representing an average annual increase of 0.7% from the 6,123 households in 1990. However, the number of households is estimated to have declined to 6,417. In contrast, the total number of households continues to increase in Lake County, the region, and the state. Between 1990 and 2000 alone, Lake County added more than 9,000 households as a result of suburban growth and development.

Market Area Households

Market Area	1990	2000	2004 (est.)	2009 (proj.)	Average Annual Change 1990-2000	2000-2004	2004-2009
City of Painesville	6,123	6,525	6,417	6,294	0.7%	-0.4%	-0.4%
Lake County	80,421	89,700	91,574	93,919	1.2%	0.5%	0.5%
Cleveland-Lorain-Elyria PMSA*	845,178	892,562	896,085	900,438	0.6%	0.1%	0.1%
State of Ohio	4,087,546	4,445,773	4,515,087	4,601,331	0.9%	0.4%	0.4%

Source: U.S. Census Bureau, Claritas Data Services, and Camoin Associates.

* - Cleveland-Lorain-Elyria PMSA includes Ashtabula, Cuyahoga, Geauga, Lake, Lorain, and Medina Counties.

B. Income

The table below shows the historical and projected per capita income levels in the City of Painesville, Lake County, the Cleveland-Lorain-Elyria PMSA, and the State of Ohio. As shown, the per capita income in the City of Painesville was $11,219 in 1990, while the comparison areas all exceeded $13,000 per capita; current estimates indicate a per capita income of $16,169 in the City, well below the $23,192 reported for the State of Ohio.

Market Area Per Capita Income

Market Area	1990	2000	2004 (est.)	2009 (proj.)	Average Annual Change 1990-2000	2000-2004	2004-2009
City of Painesville	$11,219	$15,391	$16,169	$17,038	3.7%	1.3%	1.1%
Lake County	$15,438	$23,160	$25,511	$28,259	5.0%	2.5%	2.2%
Cleveland-Lorain-Elyria PMSA*	$14,559	$22,321	$24,541	$27,405	5.3%	2.5%	2.3%
State of Ohio	$13,435	$21,003	$23,192	$26,076	5.6%	2.6%	2.5%

Source: U.S. Census Bureau, Claritas Data Services, and Camoin Associates.

* - Cleveland-Lorain-Elyria PMSA includes Ashtabula, Cuyahoga, Geauga, Lake, Lorain, and Medina Counties.

There is a clear disparity with respect to income between the City of Painesville and the surrounding county. In 2000, for example, the per capita income in the City was 66% that of Lake County. This trend is projected to continue through 2009, with levels of income growth in the City lagging behind the comparison areas.

Market Area Median Household Income

Market Area	1990	2000	2004 (est.)	2009 (proj.)	Average Annual Change 1990-2000	2000-2004	2004-2009
City of Painesville	$25,024	$34,867	$35,994	$38,076	3.9%	0.8%	1.2%
Lake County	$35,608	$48,880	$52,076	$56,165	3.7%	1.6%	1.6%
Cleveland-Lorain-Elyria PMSA*	$30,353	$42,436	$45,395	$49,857	4.0%	1.7%	2.0%
State of Ohio	$28,707	$41,097	$44,054	$48,536	4.3%	1.8%	2.0%

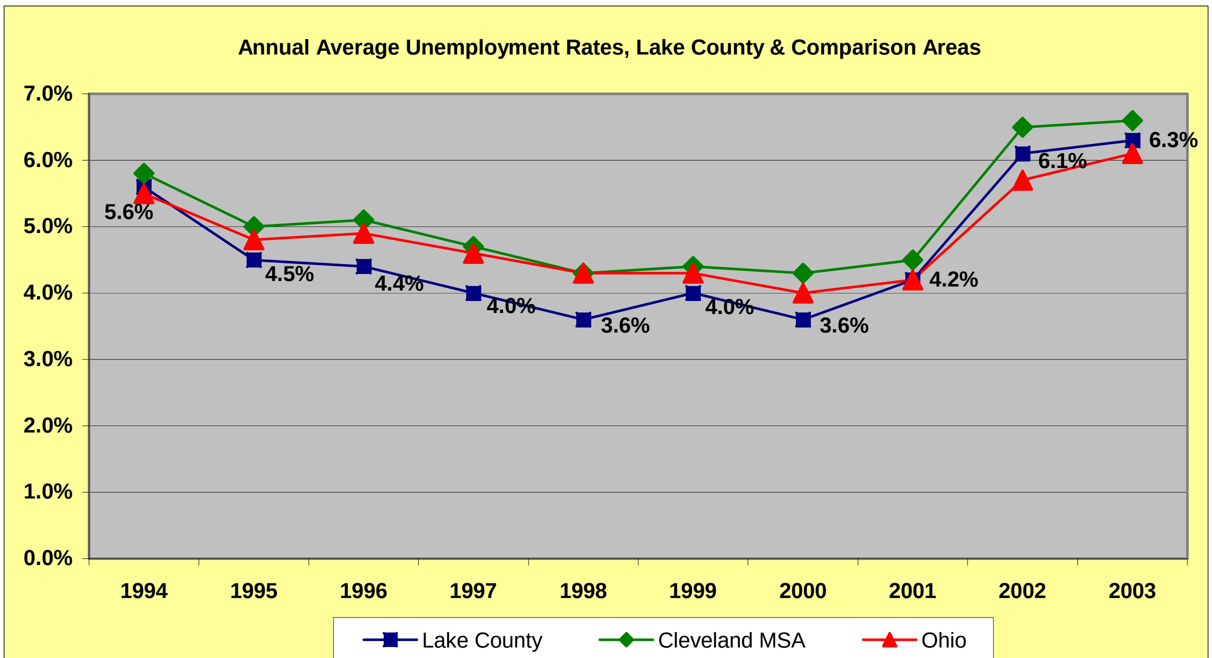
Source: U.S. Census Bureau, Claritas Data Services, and Camoin Associates.

* - Cleveland-Lorain-Elyria PMSA includes Ashtabula, Cuyahoga, Geauga, Lake, Lorain, and Medina Counties.

A similar trend is evident with respect to median household income (MHI), as shown above. In 2000, the City of Painesville had one of the lowest MHI levels in Lake County, at $34,867. The neighboring City of Mentor and the Townships of Painesville and Concord had MHI levels of $57,230, $47,741, and $69,256, respectively. Projections from Claritas indicate that the rate of growth in median household income will be much higher in the metropolitan area and the state than in the city or the county.

C. Unemployment

As shown in the chart below, unemployment rates in the Cleveland metropolitan area have been consistently higher than the State of Ohio overall. According to the Ohio Department of Job and Family Services, Bureau of Labor Market Information, the Cleveland metro economy improved during the 1990s, with an increased rate of unemployment in 2002 due to the lingering effects of the 2001 recession.



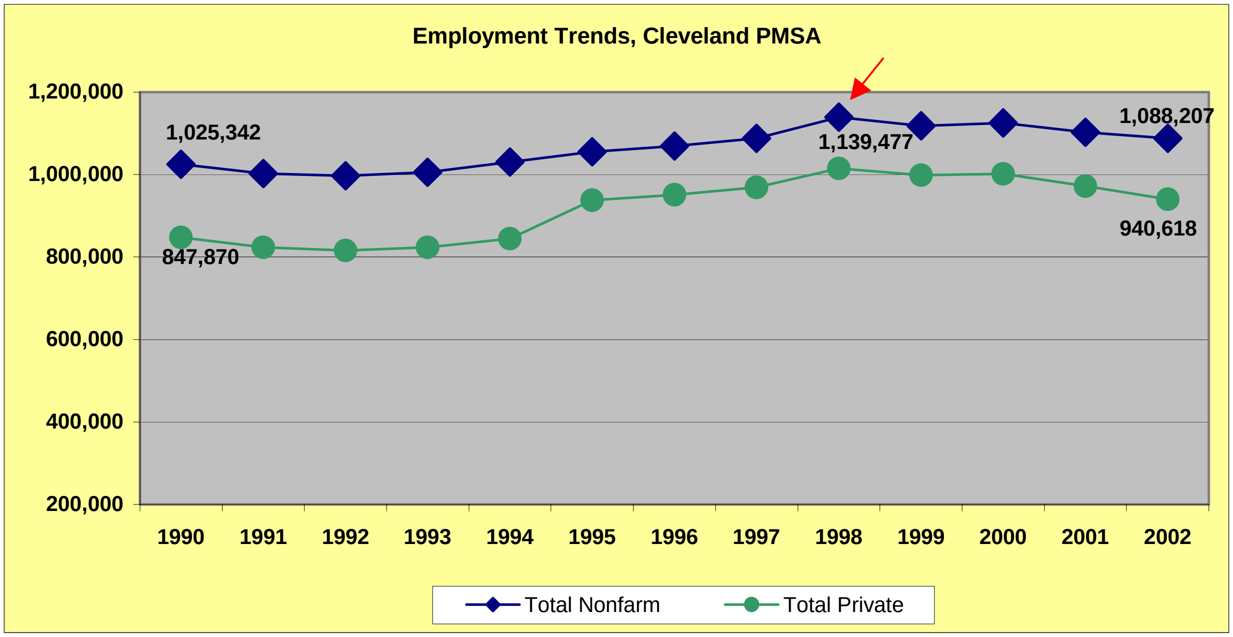
Source: Ohio Department of Job and Family Services

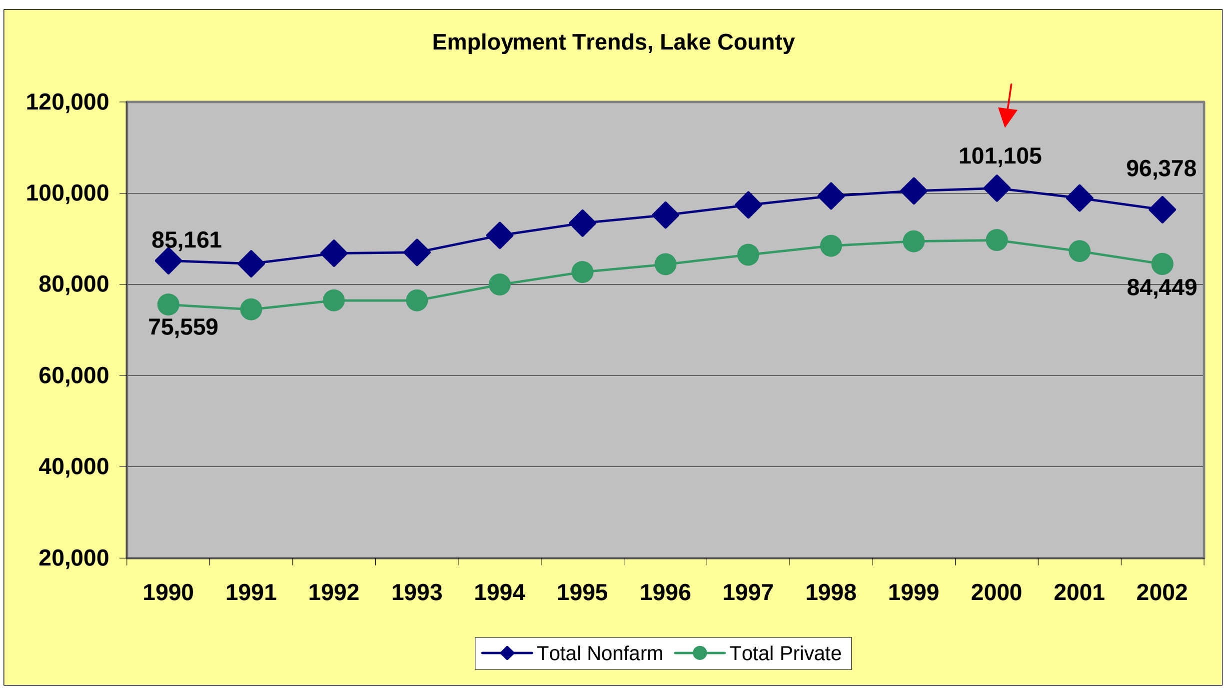
The counties of northern Ohio have had unemployment rates very similar to state and national rates. As the chart indicates, however, unemployment in Lake County was higher than the state in both 2002 and 2003. The dramatic rise in the rate of unemployment from 4.2% in 2001 to 6.3% in 2003 suggests that the recession had a significant negative impact on Lake County.

D. Employment Characteristics & Industry Trends

To examine employment characteristics and industry trends in the region, data was obtained from the U.S. Department of Labor, Quarterly Census of Employment and Wages (QCEW) Program, also known as ES-202. QCEW is a federal-state cooperative program: state employment security agencies compile the data from reports filed by employers each quarter; the Bureau of Labor Statistics then aggregates the data by industry and ownership. These aggregations are available at the county, Metropolitan Statistical Area (MSA), Consolidated Metropolitan Statistical Area (CMSA), state, and national levels. The data includes all employment covered by the unemployment insurance program in Ohio, and measures jobs by place of work, not place of residence.

Employment Trends, Cleveland-Lorain-Elyria PMSA & Lake County, 1990-2002.
Source: U.S. Department of Labor, Bureau of Labor Statistics.





In 2002 (the most recent year for which annual averages are available), the Cleveland-Lorain-Elyria PMSA had a total of 1,088,207 jobs. Total employment increased by approximately 63,000 jobs during the 1990-2002 period, representing a growth rate of 6.1%, or 0.5% average annual growth over the twelve-year period. Employment peaked in 1998, however, with 1,139,477 jobs in the metropolitan area. (See charts on previous page.)

According to the Ohio Department of Job and Family Services, the number of jobs in the Cleveland-Lorain-Elyria metro area is projected to rise to 1,358,350 by 2010. Virtually all of the growth is expected to come from service-producing industries, particularly business and health services. Large numbers of additional jobs are also projected in retail trade and local government. In contrast, manufacturing employment is projected to decline[2].

One of the six counties in the Cleveland PMSA, Lake County had a total of 96,378 jobs in 2002, an increase of 11,200 over total employment of 85,161 in 1990. This represents a growth rate of 13.2%, more than twice that of the Cleveland PMSA over the twelve-year period. Employment increased steadily through 2000, then declined by 2,200 jobs in 2001, reflecting the impact of the national recession that caused significant employment reductions throughout the State of Ohio.

Employment projections are not available at the county level from the State of Ohio. According to Economy.com, an independent provider of economic, financial, and industry research, the number of jobs in Lake County will reach 104,061 by 2010. Similar to the metro area, most of the growth is expected to occur in professional services, health care, education, and arts, entertainment, and recreation. In contrast, employment in manufacturing, utilities, and transportation and warehousing is projected to decline.

Average Annual Employment Covered by Unemployment Insurance, Lake County

Industry Division	2000	Percent of Total	2002	Percent of Total	Change, 2000-2002	% Chg, 2000-2002
Total Employment, All Industries	**101,105**	**100.0%**	**96,378**	**100.0%**	**-4,727**	**-4.7%**
Total Employment, All Private Sector	**89,706**	**88.7%**	**84,449**	**87.6%**	**-5,257**	**-5.9%**
Agriculture, Forestry, Fishing and Hunting	1,027	1.0%	1,137	1.2%	110	10.7%
Mining	NA	NA	208	0.2%	NA	NA
Utilities	755	0.7%	782	0.8%	NA	NA
Construction	4,872	4.8%	4,740	4.9%	-132	-2.7%
Manufacturing	27,361	27.1%	22,793	23.6%	-4,568	-16.7%
Wholesale Trade	3,930	3.9%	3,982	4.1%	52	1.3%
Retail Trade	14,680	14.5%	13,759	14.3%	-921	-6.3%
Transportation and Warehousing	885	0.9%	985	1.0%	100	11.3%
Information	1,009	1.0%	885	0.9%	-124	-12.3%
Finance and Insurance	2,080	2.1%	1,981	2.1%	-99	-4.8%
Real Estate and Rental and Leasing	949	0.9%	980	1.0%	31	3.3%
Professional, Scientific, and Technical Services	3,285	3.2%	3,354	3.5%	69	2.1%
Management of Companies and Enterprises	1,066	1.1%	660	0.7%	-406	-38.1%
Administrative and Waste Services	5,026	5.0%	3,983	4.1%	-1,043	-20.8%
Educational Services	924	0.9%	949	1.0%	25	2.7%
Health Care and Social Assistance	9,012	8.9%	9,945	10.3%	933	10.4%
Arts, Entertainment, and Recreation	947	0.9%	1,023	1.1%	76	8.0%
Accommodation and Food Services	8,160	8.1%	8,788	9.1%	628	7.7%
Other Services	3,461	3.4%	3,489	3.6%	28	0.8%

Source: U.S. Department of Labor, Bureau of Labor Statistics and Camoin Associates.

[2] Ohio Department of Job and Family Services, Bureau of Labor Market Information. "Job Outlook to 2010: Cleveland-Lorain-Elyria PMSA." October 2003.

Employment by major industry division is presented above. The table focuses on industry trends in Lake County during the 2000-2002 time period[3]. As the data illustrate, of the approximately 96,000 people employed in the County in 2002, 23.6% were in manufacturing, 14.3% in retail trade, and 10.3% in health care and social assistance. Other industry sectors, including transportation and warehousing, finance and insurance, information, and educational services, have a relatively modest presence in the County. Lake County accounts for about 9% of all jobs in the Cleveland PMSA, but has a 13.3% share of the region's manufacturing employment.

From 2000 to 2002, Lake County experienced a net loss of approximately 4,700 jobs. Manufacturing accounted for the largest share of the decline; however, losses also occurred in other industries including construction, retail trade, and administrative and waste services. Health care and social assistance and accommodation and food services were the only major industry divisions to experience significant growth in employment during this period.

To identify the industries that represent the largest share of economic activity in Lake County, employment and payroll data was ranked by 3-digit NAICS code. As shown in the table below, twenty industries in the County had total employment of 1,000 or more in 2002. Nine of the industries listed were in the manufacturing sector, reflecting the County's concentration in goods-producing industries. The others included retailers, eating and drinking places, and health care providers[4]. Taken together, the 20 industries listed employed 56,000 workers and contributed $1.9 billion in annual payroll.

Largest Total Employment by 3-Digit NAICS Code, Lake County, 2002

NAICS Code	Description	Total Employment	Rank (Jobs)	Total Wages	Rank (Wages)
722	Food Services and Drinking Places	8,066	1	$82,382,000	10
332	Fabricated Metal Product Manufacturing	5,209	2	$200,908,000	1
561	Administrative and Support Services	3,895	3	$84,590,000	9
621	Ambulatory Health Care Services	3,382	4	$133,462,000	5
541	Professional, Scientific, and Technical Services	3,354	5	$144,710,000	2
238	Specialty Trade Contractors	3,302	6	$119,455,000	7
333	Machinery Manufacturing	3,241	7	$131,566,000	6
423	Merchant Wholesalers, Durable Goods	2,925	8	$134,506,000	4
623	Nursing and Residential Care Facilities	2,860	9	$59,151,000	15
452	General Merchandise Stores	2,793	10	$44,654,000	20
445	Food and Beverage Stores	2,100	11	$42,234,000	21
325	Chemical Manufacturing	2,092	12	$142,024,000	3
441	Motor Vehicle and Parts Dealers	1,940	13	$74,924,000	12
336	Transportation Equipment Manufacturing	1,843	14	$73,086,000	13
322	Paper Manufacturing	1,717	15	$107,712,000	8
334	Computer and Electronic Product Manufacturing	1,656	16	$77,480,000	11
326	Plastics and Rubber Products Manufacturing	1,568	17	$50,270,000	19
339	Miscellaneous Manufacturing	1,452	18	$50,811,000	17
331	Primary Metal Manufacturing	1,390	19	$68,958,000	14
811	Repair and Maintenance	1,334	20	$38,140,000	23

Source: U.S. Department of Labor, Bureau of Labor Statistics and Camoin Associates.
Note: Excludes industries for which data was not disclosed.

Census data indicate that approximately 30% of those working in Lake County in 2000 came from other areas. Residents of Cuyahoga, Ashtabula, Geauga, and Summit Counties represent the largest contributors to the workforce outside Lake County.

Based on income tax data, total employment within the City of Painesville is estimated at 12,000. Major private sector employers in the City include the Lake Hospital System, Core Systems, and Avery Dennison Corporation. Recent data (2001) from Zip Code Business Patterns, a Census Bureau product, indicates that

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[3] Industry data for prior years cannot be used for the comparison due to the shift from the Standard Industrial Classification (SIC) system to the new North American Industrial Classification (NAICS) system, which represents a dramatic change in the way industries are classified and reported.
[4] This excludes hospitals (NAICS 622), for which industry data was not disclosed.

there are 1,175 business establishments, including 27 with one hundred or more employees, located in the Painesville 44077 zip code.

E. Location Quotients

A *location quotient* (LQ) is a quantitative tool that uses employment data to determine which industries have a larger or smaller presence in the local economy relative to a larger reference area, such as the state or the nation. It identifies how local industries compare with national averages, providing insight into local economic strengths and competitive advantages.

An LQ is calculated as a ratio of an industry's local share of total employment to that same industry's share of national employment. A value of 1.00 demonstrates that the share of employment in a particular industry is roughly the same both locally and nationally. An LQ *greater* than 1.00 indicates an industry with a high degree of concentration relative to the reference area, potentially an industry that produces goods sold outside of the County. An LQ *less* than 1.00 indicates that the industry's share of local employment is less than that industry's share of national employment. As a rule of thumb, location quotients of between 0.80 and 1.20 are not considered significantly different from 1.00.

The table on the following page presents the location quotients and employment counts for private sector industries in Lake County in 2000 and 2002. The industries are organized in descending order according to their 2002 LQ rather than employment.

As the table suggests, Lake County has a much larger share of employment in manufacturing than the nation as a whole. Despite declining employment trends, fabricated metal products, primary metal, machinery, chemical, electrical equipment, plastics and rubber products, computer and electronic products, nonmetallic mineral products, transportation equipment, and miscellaneous manufacturing all had location quotients of 1.20 or greater in 2002.

Selected retail industries also have a relatively strong presence in the County, with building material and garden suppliers (NAICS 444), motor vehicle parts dealers (NAICS 441), and health and personal care stores (NAICS 446) among the categories with high LQs. Other industries in which Lake County has a high concentration of employment relative to the U.S. economy included utilities (NAICS 221), repair and maintenance (NAICS 811), nursing and residential care facilities (NAICS 623), and durable goods wholesalers (NAICS 423).

On the other hand, such industries as telecommunications (NAICS 517), Internet service providers (NAICS 518), and truck transportation (NAICS 484) all play lesser roles in Lake County than in the nation. The County has a relatively small share of industry employment in finance, insurance, and real estate or professional, scientific, and technical services, both of which generate demand for office space.

It should be noted that between 2000 and 2002, significant job losses occurred among many of the industries in which Lake County is relatively specialized, particularly within the manufacturing sector. Industries such as fabricated metals, computer and electronics manufacturing lost more than 4,000 jobs, reflecting the impact of the recession and the County's vulnerability to national economic cycles. The deterioration of many of these industries at rates faster than the U.S. raises questions about their competitiveness.

At the same time, several industries with high location quotients may have weathered economic conditions better than their U.S. competitors. As shown in the subsequent table, Lake County's location quotient increased in 13 industries that had LQs of 1.20 or greater. Of these, five – primary metal manufacturing, machinery manufacturing, chemical manufacturing, plastic and rubber manufacturing, and transportation equipment manufacturing – experienced employment losses, but not as dramatically as for the nation.

3-Digit NAICS Code Industry Ranked by Location Quotient in 2002, Lake County

NAICS Code	Description	Location Quotient (County: US) 2000	2002	% Change	Lake County Employment 2000	2002	% Change
332	Fabricated Metal Product Manufacturing	4.72	4.50	-4.8%	6,522	5,209	-20.1%
331	Primary Metal Manufacturing	3.64	3.65	0.3%	1,764	1,390	-21.2%
333	Machinery Manufacturing	3.31	3.53	6.6%	3,755	3,241	-13.7%
325	Chemical Manufacturing	2.84	3.01	6.1%	2,166	2,092	-3.4%
335	Electrical Equipment, Appliance, and Component Manufacturing	3.78	2.97	-21.5%	1,743	1,102	-36.8%
339	Miscellaneous Manufacturing	2.50	2.82	12.9%	1,441	1,452	0.8%
326	Plastics and Rubber Products Manufacturing	2.26	2.46	8.9%	1,685	1,568	-6.9%
446	Health and Personal Care Stores	1.41	1.79	26.7%	1,005	1,249	24.3%
221	Utilities	1.61	1.76	8.9%	755	782	3.6%
453	Miscellaneous Store Retailers	1.61	1.60	-0.2%	1,272	1,160	-8.8%
334	Computer and Electronic Product Manufacturing	1.98	1.47	-25.6%	2,780	1,656	-40.4%
444	Building Material and Garden Equipment and Supplies Dealers	1.48	1.46	-1.5%	1,313	1,290	-1.8%
811	Repair and Maintenance	1.45	1.43	-0.8%	1,404	1,334	-5.0%
623	Nursing and Residential Care Facilities	1.29	1.39	7.8%	2,586	2,860	10.6%
441	Motor Vehicle and Parts Dealers	1.44	1.38	-4.3%	2,075	1,940	-6.5%
327	Nonmetallic Mineral Product Manufacturing	1.43	1.36	-4.8%	622	530	-14.8%
336	Transportation Equipment Manufacturing	1.23	1.35	9.3%	1,973	1,843	-6.6%
452	General Merchandise Stores	1.43	1.32	-7.8%	3,141	2,793	-11.1%
423	Merchant Wholesalers, Durable Goods	1.17	1.31	11.9%	2,848	2,925	2.7%
812	Personal and Laundry Services	1.21	1.28	5.8%	1,165	1,206	3.5%
722	Food Services and Drinking Places	1.16	1.27	9.9%	7,369	8,066	9.5%
451	Sporting Goods, Hobby, Book, and Music Stores	1.15	1.25	9.3%	615	628	2.1%
443	Electronics and Appliance Stores	1.06	1.12	6.5%	466	446	-4.3%
323	Printing and Related Support Activities	0.95	1.08	13.5%	598	574	-4.0%
238	Specialty Trade Contractors	1.05	1.05	0.0%	3,399	3,302	-2.9%
442	Furniture and Home Furnishings Stores	1.11	0.98	-11.8%	472	396	-16.1%
445	Food and Beverage Stores	1.07	0.97	-9.3%	2,482	2,100	-15.4%
621	Ambulatory Health Care Services	0.90	0.97	8.2%	3,012	3,382	12.3%
236	Construction of Buildings	0.90	0.93	2.9%	1,085	1,088	0.3%
447	Gasoline Stations	0.96	0.92	-3.6%	697	620	-11.0%
448	Clothing and Clothing Accessories Stores	0.88	0.90	3.0%	908	893	-1.7%
713	Amusement, Gambling, and Recreation Industries	0.75	0.89	18.7%	787	871	10.7%
485	Transit and Ground Passenger Transportation	0.56	0.83	49.0%	161	233	44.7%
813	Membership Organizations and Associations	0.75	0.80	7.4%	720	781	8.5%
454	Nonstore Retailers	0.61	0.74	20.8%	234	244	4.3%
561	Administrative and Support Services	0.82	0.71	-13.3%	4,946	3,895	-21.2%
425	Electronic Markets and Agents/Brokers	0.73	0.68	-6.6%	342	324	-5.3%
541	Professional, Scientific, and Technical Services	0.62	0.67	8.2%	3,285	3,354	2.1%
531	Real Estate	0.61	0.65	7.3%	624	664	6.4%
611	Educational Services	0.66	0.65	-1.5%	924	949	2.7%
721	Accommodation	0.54	0.54	-0.4%	791	722	-8.7%
511	Publishing Industries	0.61	0.54	-11.5%	486	387	-20.4%
522	Credit Intermediation and Related Activity	0.48	0.52	7.1%	957	1,039	8.6%
551	Management of Companies and Enterprises	0.77	0.52	-32.5%	1,066	660	-38.1%
237	Heavy and Civil Engineering Construction	0.53	0.50	-5.8%	389	350	-10.0%
814	Private Households	0.53	0.49	-7.0%	173	168	-2.9%
524	Insurance Carriers and Related Activities	0.61	0.49	-18.8%	986	781	-20.8%
424	Merchant Wholesalers, Nondurable Goods	0.47	0.49	2.9%	739	734	-0.7%
518	ISPs, Search Portals, & Data Processing	0.40	0.43	6.3%	161	141	-12.4%
484	Truck Transportation	0.36	0.43	17.6%	399	429	7.5%
562	Waste Management and Remediation Services	0.33	0.37	12.5%	80	88	10.0%
488	Support Activities for Transportation	0.41	0.35	-12.9%	169	137	-18.9%
337	Furniture and Related Product Manufacturing	0.18	0.30	68.9%	95	136	43.2%
517	Telecommunications	0.23	0.28	20.6%	226	243	7.5%
523	Financial Investment and Related Activity	0.22	0.27	25.0%	137	161	17.5%
493	Warehousing and Storage	0.13	0.17	32.2%	53	67	26.4%
314	Textile Product Mills	0.21	0.17	-19.2%	36	25	-30.6%
311	Food Manufacturing	0.17	0.14	-13.0%	202	167	-17.3%
492	Couriers and Messengers	0.13	0.14	10.3%	60	59	-1.7%

Source: U.S. Department of Labor, Bureau of Labor Statistics and Camoin Associates.

3-digit NAICS code industries for which data was not disclosed not listed in table. Private sector only.

NAICS Code	Description	LQ 2002	LQ Change, 2000-02	Net Empt. Change, 2000-02	Avg Annual Wages, 2002	Ratio of Industry to Avg Wage*
	Change in LQ and Employment, 2000-2002 for Industries with High and Low LQs, Lake County					
	LOCATION QUOTIENT HIGH AND INCREASING					
331	Primary Metal Manufacturing	3.65	0.3%	-374	$49,610	1.57
333	Machinery Manufacturing	3.53	6.6%	-514	$40,594	1.29
325	Chemical Manufacturing	3.01	6.1%	-74	$67,889	2.15
339	Miscellaneous Manufacturing	2.82	12.9%	11	$34,994	1.11
326	Plastics and Rubber Products Manufacturing	2.46	8.9%	-117	$32,060	1.02
446	Health and Personal Care Stores	1.79	26.7%	244	$16,925	0.54
221	Utilities	1.76	8.9%	27	$66,419	2.11
623	Nursing and Residential Care Facilities	1.39	7.8%	274	$20,682	0.66
336	Transportation Equipment Manufacturing	1.35	9.3%	-130	$39,656	1.26
423	Merchant Wholesalers, Durable Goods	1.31	11.9%	77	$45,985	1.46
812	Personal and Laundry Services	1.28	5.8%	41	$16,306	0.52
722	Food Services and Drinking Places	1.27	9.9%	697	$10,213	0.32
451	Sporting Goods, Hobby, Book, and Music Stores	1.25	9.3%	13	$13,889	0.44
	LOCATION QUOTIENT HIGH AND DECLINING					
332	Fabricated Metal Product Manufacturing	4.50	-4.8%	-1,313	$38,569	1.22
335	Electrical Equipment, Appliance, and Component Manufacturing	2.97	-21.5%	-641	$32,788	1.04
453	Miscellaneous Store Retailers	1.60	-0.2%	-112	$20,147	0.64
334	Computer and Electronic Product Manufacturing	1.47	-25.6%	-1,124	$46,787	1.48
444	Building Material and Garden Equipment and Supplies Dealers	1.46	-1.5%	-23	$24,573	0.78
811	Repair and Maintenance	1.43	-0.8%	-70	$28,591	0.91
441	Motor Vehicle and Parts Dealers	1.38	-4.3%	-135	$38,621	1.23
327	Nonmetallic Mineral Product Manufacturing	1.36	-4.8%	-92	$48,377	1.54
452	General Merchandise Stores	1.32	-7.8%	-348	$15,988	0.51
	LOCATION QUOTIENT LOW AND INCREASING**					
813	Membership Organizations and Associations	0.80	7.4%	61	$11,625	0.37
454	Nonstore Retailers	0.74	20.8%	10	$28,184	0.89
541	Professional, Scientific, and Technical Services	0.67	8.2%	69	$43,145	1.37
531	Real Estate	0.65	7.3%	40	$24,367	0.77
522	Credit Intermediation and Related Activity	0.52	7.1%	82	$34,518	1.10
424	Merchant Wholesalers, Nondurable Goods	0.49	2.9%	-5	$38,056	1.21
518	ISPs, Search Portals, & Data Processing	0.43	6.3%	-20	$35,319	1.12
484	Truck Transportation	0.43	17.6%	30	$36,618	1.16
337	Furniture and Related Product Manufacturing	0.30	68.9%	41	$34,287	1.09
517	Telecommunications	0.28	20.6%	17	$42,486	1.35
523	Financial Investment and Related Activity	0.27	25.0%	24	$58,839	1.87
	LOCATION QUOTIENT LOW AND DECLINING**					
561	Administrative and Support Services	0.71	-13.3%	-1,051	$21,718	0.69
425	Electronic Markets and Agents/Brokers	0.68	-6.6%	-18	$47,787	1.52
611	Educational Services	0.65	-1.5%	25	$22,255	0.71
721	Accommodation	0.54	-0.4%	-69	$15,514	0.49
511	Publishing Industries	0.54	-11.5%	-99	$31,413	1.00
551	Management of Companies and Enterprises	0.52	-32.5%	-406	$76,939	2.44
237	Heavy and Civil Engineering Construction	0.50	-5.8%	-39	$37,091	1.18
814	Private Households	0.49	-7.0%	-5	$13,940	0.44
524	Insurance Carriers and Related Activities	0.49	-18.8%	-205	$38,597	1.22
488	Support Activities for Transportation	0.35	-12.9%	-32	$29,080	0.92
311	Food Manufacturing	0.14	-13.0%	-35	$23,808	0.76

Source: U.S. Department of Labor, Bureau of Labor Statistics and Camoin Associates.

** Ratio of average annual wages in that industry to average annual wages for all private sector industries in Lake County.*

*** Includes industries with 100 employees or more in 2002.*

F. Conclusion

The regional context for the retail/service, office, and industrial market analysis indicates a mix of positive and negative factors. The City of Painesville is located within a large metropolitan area representing one of the nation's leading consumer and industrial markets. Within 500 miles are 42% of U.S. households, 44% of U.S. effective buying income, and 51% of Fortune 500 U.S. headquarters, according to analysis conducted by the Greater Cleveland Partnership.

Although the population of the City of Painesville is generally stable, Lake County is experiencing considerable growth in population as well as household income levels due to an influx of new households. Census data indicate that 12% of Lake County residents in 2000 lived outside the State of Ohio in 1995, while 9% lived in another county in Ohio. A similar observation can be made with respect to neighboring Geauga County, portions of which are included in the trade area for the downtown Painesville retail market. The demographic and socioeconomic characteristics of the trade area are favorable and present an opportunity to attract consumers and investors into the downtown. Please note that the City of Painesville has been experiencing a housing boom in the last three years. This explosion in housing growth also offers a significant opportunity to attract the new residents to downtown.

On the negative side, industrial real estate demand in the City of Painesville may be limited by national economic downturns, which affect the region – and in particular, Lake County – disproportionately. Employment in Lake County is heavily concentrated in the manufacturing sector, and unemployment rates have been comparable to state and national averages. While retail continues to grow, other portions of the local economy such as professional services, information, and warehousing have not gained as strong a foothold as they have in other areas of the United States.

2 Retail Market Analysis

A. Market Overview

To assess the current and future state of the retail market, both nationally and regionally, Camoin Associates compiled and reviewed recent publications, articles, and reports from a variety of sources. The materials also provided information on the major industry trends that impact the potential for retail development and downtown revitalization and define the environment in which retailers currently operate. The following summarizes the relevant findings of these materials.

U.S. Retail Market

The U.S. Real Estate Review 2004, a report by Colliers International, a leader in the compilation and dissemination of real estate market research, describes the U.S. retail market as strong. Since 2001, the report notes, "consumer spending [has been] one of the forces that [has] kept an otherwise stagnant economy afloat." Figures from the U.S. Census Bureau for 2003 indicate sales growth of 5.6% for all retail stores, and even stronger growth for segments of the market, such as big-box retailers.

Although warehouse clubs and big-box "superstores" have changed how people shop, Colliers asserts that "[c]onsumers are bored right now. They will pay what they have to pay if they are given something new to get excited about. With consumers feeling uninspired by the same old selection we will see more interest in international retail coming to the US."[1]

A study prepared for the U.S. Department of Commerce in 1999 asserted that because of the time pressures faced by many Americans, the number of trips to the mall has decreased 50% since the early 1990s. In addition, increased competitiveness in the retail sector has had a huge impact on retail centers. There are only a few general merchandise chains remaining. Department stores, once the anchors of every successful mall, have lost market share and have had to scale back their merchandise and level of service.

In response, developers have transformed some traditional malls to "power centers," 200,000 square foot shopping centers with large, big-box stores that can be accessed from the exterior. Aging retail centers have had to be renovated or repositioned with new formats and tenants to compete. A few large retailers, such as OfficeMax, have created a smaller-store format to make it easier for busy customers to find a specific item quickly.

Retailers are also taking advantage of the amount of time Americans spend on their computers by making it easier to shop online. The percentage of goods purchased over the Internet is expected to rise to 7% of all goods purchased in 2004, and even more by 2010. Although e-commerce is not expected to significantly erode shopping center sales, certain products like books, music, and electronics seem to sell well online.

One concept that is being used to "re-excite" consumers is the lifestyle center, a smaller, open-air marketplace with a unique mix of specialty stores, restaurants, and entertainment. Most successful in affluent markets, lifestyle centers also provide an appealing, pedestrian-friendly environment, with wide sidewalks, inviting architecture, and attractive landscaping – ironically recreating the ambiance of the traditional Main Street. The idea of the lifestyle center concept is to provide a shopping "experience" that encourages customer lingering. Some of the new centers even integrate residential and office uses. The report by Colliers International asserts that lifestyle centers will continue to grow.

Retail Market Trends North America, a semi-annual newsletter published by Grubb & Ellis, reports that nationally, "the retail market is hot. The economy has picked up, fueling retail sales…" In the last 12

[1] Colliers International, *U.S. Real Estate Review 2004*. www.colliersmn.com

months, retail leasing activity in all segments has been "healthy" or "very healthy" in more than 60% of the U.S. markets surveyed, and "stable" in another 35%. Cleveland is among the retail markets categorized as "stable," with infill development continuing in selected areas. Nationally, Grubb & Ellis professionals expect retail activity to accelerate slightly in the next year.

Investor demand for all types of retail properties is expected to remain strong, despite an anticipated rise in interest rates. The report notes that even "unanchored strip centers, once thought to be poor investments due to their propensity for overbuilding, now present very favorable acquisition targets in gentrifying urban neighborhoods where household income is high and competition from other retailers is low. Similarly, the decades-long efforts of city planners to revitalize their downtowns are bearing fruit, not just in 24-hour markets like Boston and San Francisco, but in smaller, 24-hour newcomers like San Diego and Indianapolis, creating markets for entertainment-oriented retail in new and adaptive reuse projects."[2]

In its most recent National Main Street Trends Survey, the National Trust for Historic Preservation found that retail activity is continuing to increase in traditional downtown and Main Street areas. Having saturated suburban markets, national chain retailers are developing new, smaller formats appropriate for downtown districts. In some communities, there is not enough vacant retail space to accommodate new businesses interested in locating in their districts, as older Main Street businesses are replaced by restaurants, cafés, specialized retail businesses, and small-scale industries. According to the survey, which is distributed to approximately 1,500 organizations, many of the new restaurants are being used as community gathering places, offering music, Internet access, even classes. This trend has been attributed to the post-9/11 surge in interest in spending time with friends and supporting local businesses. In addition, growing numbers of people are coming to historic and older Main Street areas for festivals and special events.[3]

Regional Retail Market

In a report on the Cleveland area retail market, Grubb & Ellis identify the entrance of the lifestyle center as one of the major trends occurring in the regional market. The center, Legacy Village in Lyndhurst, opened in fall 2003 with a near 100% occupancy level, and several other large shopping centers were under construction or redevelopment by year's end. At the same time, "older, core submarkets" have been "hurt by the gradual outward migration of population to newer suburbs located west, southwest, and southeast of the city."

A commercial real estate market report for northeastern Ohio prepared by Colliers International identifies several interesting trends in the Cleveland area: the level of interest by retail developers in the reuse of existing vacant space, including former big-box sites; an increase in infill projects in already built-out cities; and the expansion of traditional regional malls to better compete with the new lifestyle centers. The report also notes that retailers are beginning to target the untapped potential of secondary markets in the Cleveland area with a recent influx of stores and restaurants that are new to the market.[4]

In 2000, the Cuyahoga County Planning Commission, in conjunction with the Planning Commissions of Geauga, Lake, Lorain, Medina and Portage Counties and the City of Cleveland, prepared an assessment of northeast Ohio retail patterns for the region's metropolitan transportation planning organization, the Northeast Ohio Areawide Coordinating Agency. Although the study is now four years old, it nevertheless provides useful information and analysis regarding the retail sector in the region, and highlights retail industry patterns and practices that remain relevant.

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[2] Grubb & Ellis Company, *Retail Market Trends North America*, Summer 2004. www.grubb-ellis.com

[3] National Main Street Center of the National Trust for Historic Preservation, *2003 National Main Street Trends Survey*. www.mainstreet.org/Documents/2003TrendsSurvey.pdf.

[4] Colliers International, *Colliers International Platinum Report: 2003-2004 Commercial Real Estate Market Summary, Cleveland*.

The *Northeast Ohio Regional Retail Analysis* lists some of the defining characteristics of the region's retail market:

- Oversaturation, with an excess of retail floor space in relation to the population served
- Experience with retail trends begun elsewhere, such as "big-box" stores
- An efficient freeway network, with the majority of the five-county region accessible within 30 minutes driving time
- An increase in the number of households, generating continuing demand for both convenience and shopping goods
- Low household income levels, resulting on a focus on value-priced retail, with upscale retailers confined to high income areas within the region
- A decreasing population base, making it more difficult to fill vacancies in retail space
- Outdated zoning practices resulting in sprawling retail development

One of the major findings of the report is that there is a spatial mismatch between the location of existing and proposed retail developments and areas that are underserved. Maps included in the document illustrate the two predominant retail development patterns in the region: the linear pattern of development along major corridors; and the clustering of retail in traditional downtown areas, including Painesville. An analysis of retail space supply and demand conducted for each of the counties in the study area concludes that overall, Lake County has one of the largest surpluses of retail floor space relative to population, while the City of Cleveland and Geauga County have the largest deficits. The report goes on to say: "There is sales leakage from the central cities and many denser, older communities in the region, resulting in consumers having to travel significant distances out of their communities to purchase goods and services. There are substantial opportunities for balanced retail development in the region."[5]

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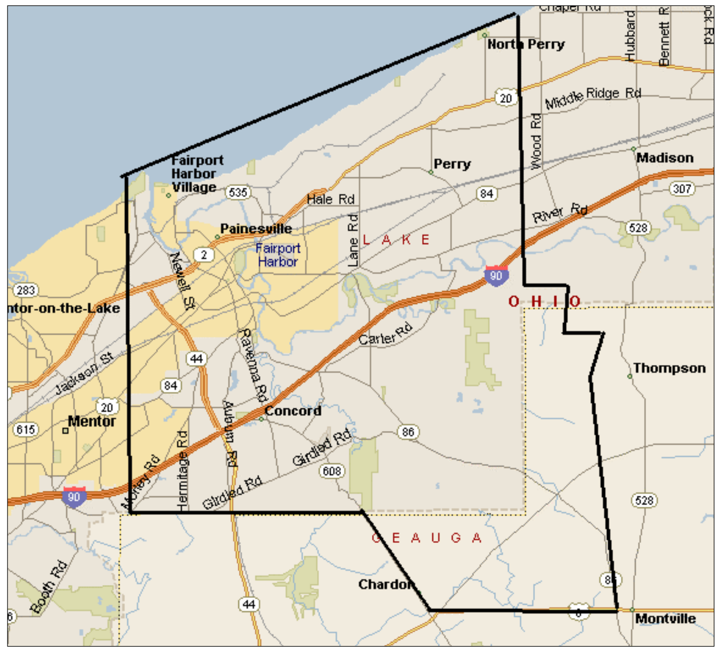
[5] Cuyahoga Planning Commission, *Northeast Ohio Regional Retail Analysis Executive Summary*, August 2000, page 5.

B. Trade Area Definition

A trade area is defined as the geographic area from which the business district draws the majority of its customers. In conjunction with the City's Economic Development Coordinator, a trade area was defined for downtown Painesville (see map). This area encompasses all or portions of the City of Painesville; the townships of Painesville, Concord, Leroy, and Perry; and the villages of Perry, North Perry, Grand River, and Fairport Harbor in Lake County; and the townships of Hambden, Montville, and Thompson in Geauga County. The majority of the trade area is located within 20-30 minutes of downtown Painesville.



Approximately six miles to the west of downtown Painesville is the City of Mentor, one of the largest retail centers in the Cleveland metro area. To the north is the small village of Fairport Harbor along the shores of Lake Erie. The trade area extends mostly to the south and east of the City of Painesville. A previous retail market analysis conducted for the City in 1991 also noted Painesville's strong draw to the east and southeast.

C. Market Demographics

Changing market demographics have a significant impact on household income and thus spending on consumer goods and services. Some of the major demographic shifts impacting the marketplace include:

- smaller household sizes, due to lower birth rates, an increase in single parent families, and a greater number of people living alone;
- an aging population, with the number of Americans aged 65 and over expected to double to 70.3 million by 2030, according to the U.S. Census Bureau;
- increasing affluence, as a result of age, work experience, and higher educational attainment levels as well as the large number of Baby Boomers who are in their peak earning years; and
- cultural diversity, with rapid growth in the U.S. Hispanic population, whose spending power is projected to reach $926 billion by 2007.

One of the major trends in retailing is the continued emphasis on consumer information. Most national retailers now compile vast amounts of information on their customers, relying on new technology to provide information on consumer preferences and shopping habits. Understanding the demographics of the market is the first step in identifying the types of businesses appropriate for a downtown retail district.

This section examines the demographic and socioeconomic characteristics of residents in the defined trade area for downtown Painesville. The statistical data used in the analysis is derived from two reliable sources: the U.S. Census Bureau and Claritas Data Services, a leading national provider of market information.

The table below summarizes the demographic trends in the Painesville trade area from 1990 projected through 2009. The current population of the trade area is estimated at 70,464 persons, an increase of nearly 12,000 persons (or 20.4%) since 1990. Most of the population is concentrated in the western half of the trade area. With 17,427 residents, the City of Painesville represents roughly 25% of the trade area population.

Household Trend Information for Painesville Trade Area

Variable	1990	2000	2004 (est.)	2009 (proj.)	Average Annual Change		
					1990-2000	*2000-2004*	*2004-2009*
Population	58,523	68,148	70,464	73,264	1.6%	0.8%	0.8%
Households	21,228	25,497	26,534	27,834	2.0%	1.0%	1.0%
Per Capita Income*	$15,250	$22,972	$25,285	$28,164	5.1%	2.5%	2.3%
Median Household Income*	$35,061	$50,492	$54,237	$59,280	4.4%	1.9%	1.9%

Source: U.S. Census Bureau, Claritas Data Services, and Camoin Associates.

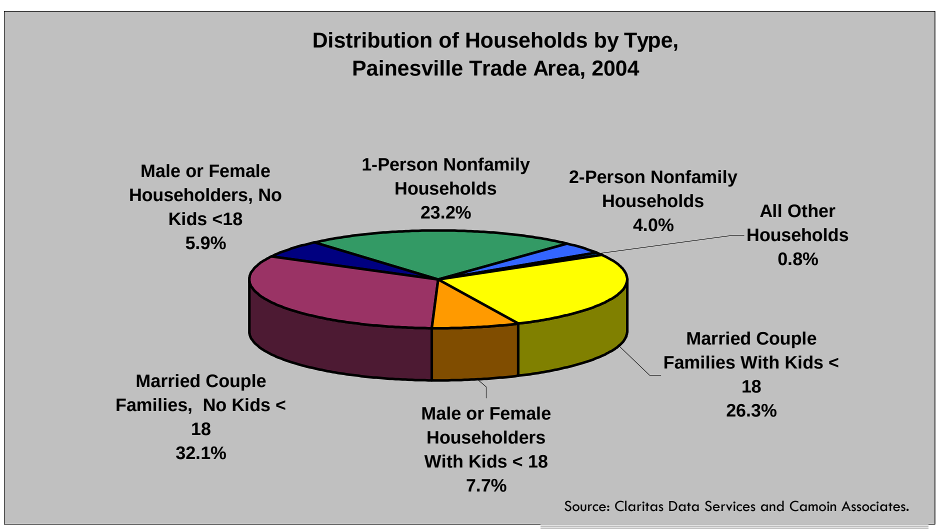
* - All income figures are in actual dollars. In constant dollars, per capita income increased 1.2% annually from 1990 to 2000.

The trade area population has increased at a faster pace than that of the City or County. From 1990 to 2004, the City's population grew by 10.9%, while the number of residents in Lake County overall increased by 6.6%; in contrast, the population of the trade area increased by a total of 20.4%.

Projections for the next five years suggest that the trade area population will continue to grow. The number of residents in the trade area overall is expected to increase by 4.0%, from 70,464 to 73,264, by 2009. This is nearly four times the rate of growth projected for Lake County and the State of Ohio, and contrary to the marginal reductions projected for the City of Painesville and the Cleveland metropolitan area.

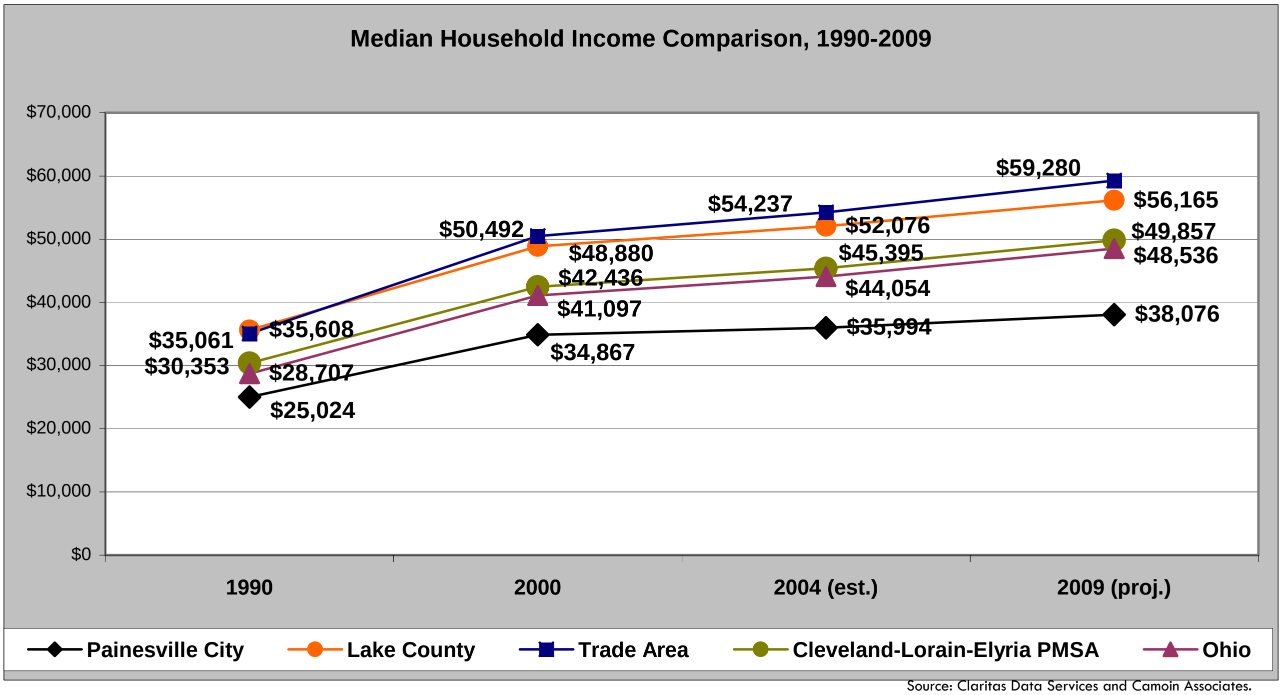
According to the Census Bureau, a household includes all persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more persons living together, or any other group of related or unrelated individuals who share living arrangements outside of an institution. While population data allows the *size* of the market to be quantified, household data provides insight into the *composition* of the market; household types and age characteristics can influence potential purchases.

Currently, there are an estimated 26,634 households in the trade area, and Claritas projects an increase to 27,834 by 2009. Again, the number of households is increasing more rapidly in the trade area than in the City of Painesville. From 1990 to 2000, for example, the rate of growth was 20% in the trade area, 12% in Lake County, and 7% in the City. Over the next five years, the number of households is projected to increase twice as fast in the trade area as in Lake County.



As shown in the chart above, an estimated 34.0% of trade area households have children under age 18 present. Most of the households with kids are traditional married couple families, but there is a significant number of single-parent households. A slightly higher proportion, 38.0%, are families without children in the household, including "empty nesters" whose children have grown up and established households of their own. Approximately one-quarter of the households in the trade area are comprised of individuals living alone. The remaining households are nonfamily households with two or more persons.

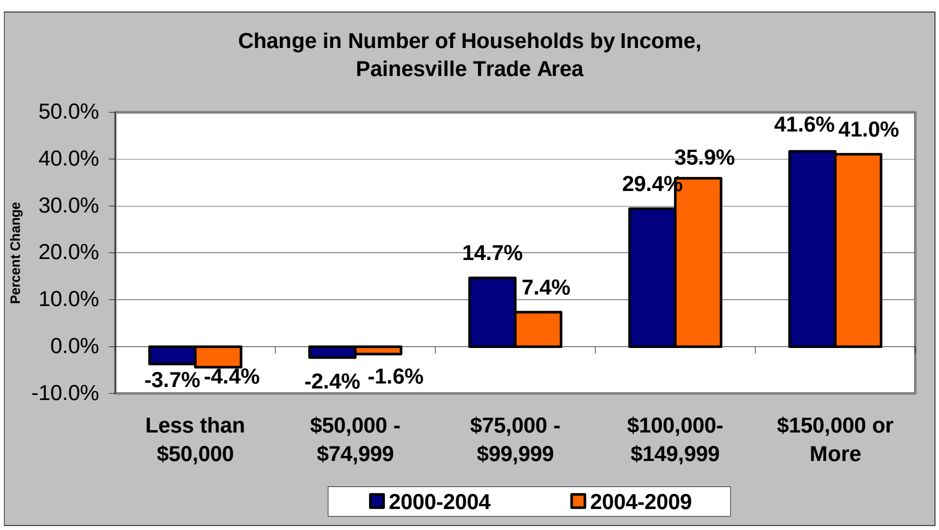
The overall *distribution* of trade area households by type is projected to change little over the next five years. The *number* of households, however, is expected to increase more rapidly in certain categories than others. For example, while a 5% increase is projected for all trade area households by 2009, the number of single-person households is projected to grow by nearly 8% in the next five years. In general, Claritas projects higher rates of growth for non-family households and for smaller households (i.e., 3 persons or less).



Source: Claritas Data Services and Camoin Associates.

Household income is a good indicator of the spending potential of the trade area, since it often correlates with retail expenditures. As shown in the chart above, median income levels have been consistently higher in the trade area relative to the comparison areas. Currently, the trade area has an estimated median household income (MHI) of $54,237; in comparison, the MHI is $52,076 in Lake County overall and $35,994 in the City of Painesville.

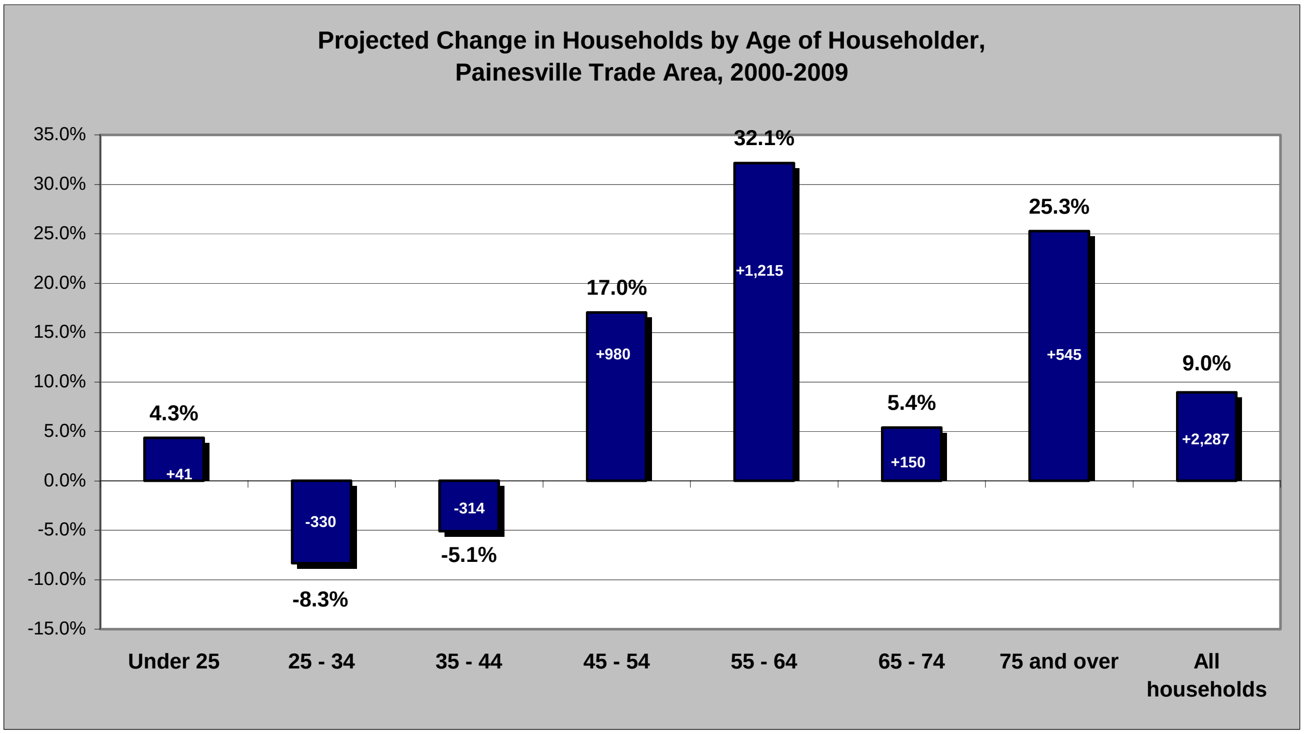
The data indicate that higher-income groups in the trade area are growing. Between 2004 and 2009, the trade area is projected to add about 1,300 households, an increase of 5%. Households in the $100,000 to $149,999 income bracket are projected to increase 36% (an addition of 1,103 households), while



Source: Claritas Data Services and Camoin Associates.

those earning at least $150,000 per year will increase 41% (with 543 additional households). By 2009, more than 10,000 households – 37.1% of all households in the trade area – will have incomes above $75,000.

One of the biggest factors influencing consumer spending is age. During the 1990s, the aging of the vast baby-boom generation resulted in a significant increase in the number of households headed by individuals between the ages of 45 and 54 – peak earning years for Americans. According to the annual Consumer Expenditure Survey conducted by the Bureau of Labor Statistics, the typical household headed by a person aged 45-54 spends more, on average, than other households. Nationally, growth in the 45-54 age cohort is expected to continue at least through the next 10-15 years, as the last of the Baby Boomers reach their mid-40s.



Source: Claritas Data Services and Camoin Associates.

Consistent with this trend, trade area households are becoming more concentrated in the 45-54 age range. Householders (heads of household) aged 45-54 accounted for 22.5% of trade area households in 2000 and are projected to increase to 24.2% by 2009. The median household income for householders aged 45-54 is estimated at $71,139, compared to $54,237 for all households in the trade area.

As shown in the chart above, dramatic growth is also projected in the number of householders aged 55-64. Nationally, this segment has the highest homeownership rate of all age groups. Householders between the ages of 55 and 64 represented 14.8% of all trade area households in 2000, and are expected to comprise 17.9% by 2009.

On the negative side, the number of householders aged 35-44 is *declining* in the trade area. The 35-44 age range is perhaps the next most important category with respect to consumer spending potential. Claritas projects that householders 35-44 will decrease from 24.2% of trade area households in 2000 to 21.1% by 2009. This could impact retail and service establishments that target young adults, families with young children, and new homebuyers.

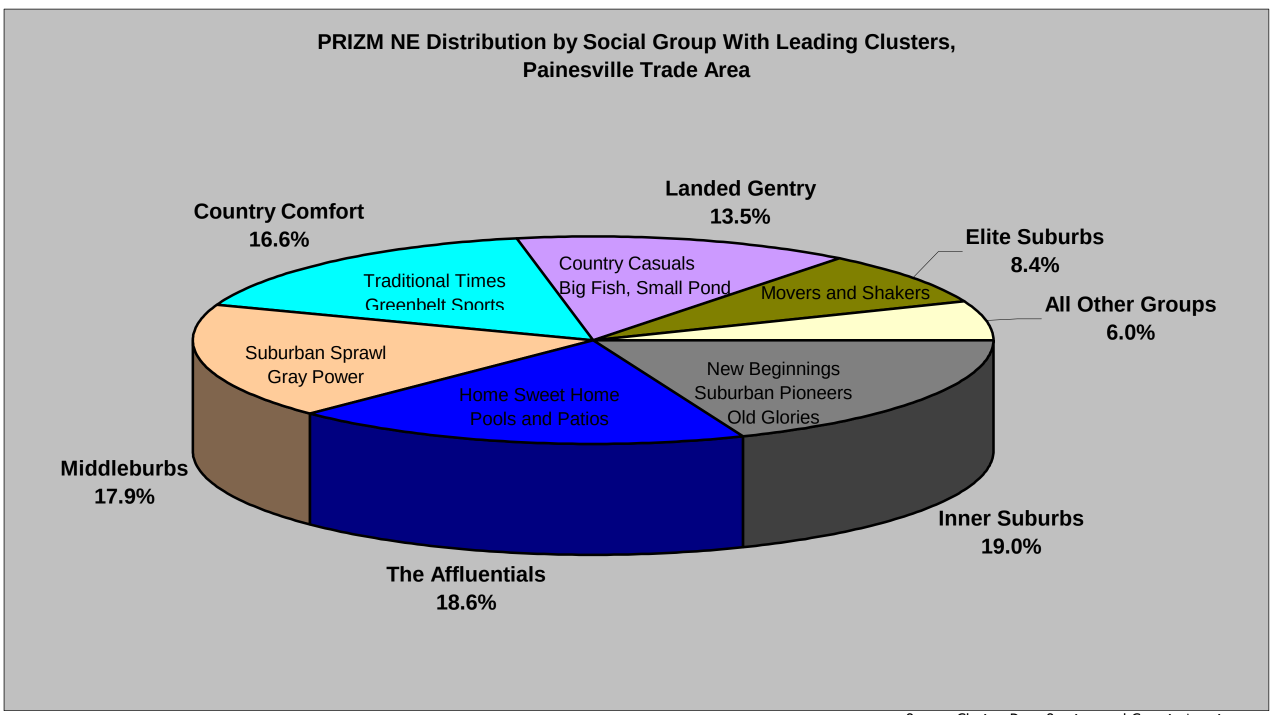
Data from the 2000 Census suggest that the trade area is experiencing some movement of households into the region. Nearly 57% of all Painesville city residents, for example, reported that they lived in a different house in 1995. While most resided in the city or elsewhere in Lake County, approximately 2,500 people – or 16% – indicated that they lived in another county in Ohio or in a different state five years earlier. Roughly 13% of all Lake County residents and 19% of Geauga County residents lived in a different county, with a combined total of 11,700 people who lived in a different state. The new households coming into the trade area may provide a marketing opportunity for local retailers.

D. Market Segmentation Analysis

Market segmentation is defined as the classification of consumers according to demographic, socioeconomic, housing, and lifestyle characteristics. It is based on the concept that "birds of a feather flock together": that is, people residing in the same neighborhood share similar demographic characteristics, interests and purchasing habits. Businesses utilize market segmentation analysis to determine where their best customers and prospects live and to target their advertising accordingly; they also use the information to better understand the needs of their customers and assess the potential demand for new products or services.

Examples of market segmentation systems include Community Tapestry, from ESRI Business Information Solutions and PRIZM, from Claritas Data Services. PRIZM NE, the latest incarnation of PRIZM, has a total of 66 different clusters assigned to social groups classified according to the degree of urbanization and socioeconomic status.

It is important to understand that the classifications and labels for defined market segments are generalizations. The labels developed by data providers for the clusters have more to do with product marketing than with the individual households within that cluster. Moreover, the descriptions of each cluster are based on comparisons with the U.S. as a whole, and reflect the *propensity* of the households within that cluster to exhibit certain demographic, lifestyle, and consumer characteristics. Nevertheless, market segmentation analysis can provide an additional perspective on the existing and potential consumer markets for downtown Painesville.



Source: Claritas Data Services and Camoin Associates.

As shown in the chart, 94% of the households in the Painesville trade area are in one of six social groups: Inner Suburbs, The Affluentials, Middleburbs, Country Comfort, Landed Gentry, and Elite Suburbs. The following is an overview of the each of these social groups, as well as the predominant neighborhood clusters within them:

- <u>Inner Suburbs:</u> Nineteen percent of the households in the trade area fall into the *Inner Suburbs* social group, which is typically found in the older suburbs of major metropolitan areas. Many of the segments in this group are ethnically diverse, and are divided evenly between homeowners and renters.

  Of the approximately 5,000 households in Inner Suburbs, 1,760 fall into the "New Beginnings" segment. *New Beginnings* is described as young, single adults in transition. Many of its residents are singles in their 20s and couples just starting out on their career paths, or starting over after recent divorces or company transfers. The majority are renters, and they are more likely than the general population to walk or bike to work or carpool. It is worth noting that *New Beginnings* is the leading market segment among people *living* in downtown Painesville.

  The lifestyle behaviors profile for this cluster reveals that *New Beginnings* households are more likely to go mountain or rock climbing, shop at Kids R Us and Payless Shoes, eat at Golden Corral and TGI Friday's, do aerobics or martial arts, play lottery games weekly, and go to bars and nightclubs.

  The 1,396 trade area households of *Suburban Pioneers* are characterized as a mix of young singles and recently divorced and single parents living in older homes or apartments. They have a working-class sensibility and an appreciation for their lively, ethnically diverse neighborhoods. Most *Suburban Pioneers* have achieved a high school education. They tend to have larger household sizes, on average, than the general population. In terms of lifestyle behaviors, Suburban Pioneers are more likely to play softball, belong to the school or college board, eat at Sbarro and Papa John's Pizza, participate in civic and environmental organizations, shop at Marshall's, and go to concert and dance performances.

  Old Glories account for 1,147 households in the trade area and are described as "the nation's downscale suburban retirees," living on fixed incomes. Nearly two-thirds reside in one- or two-person households. They are ardent TV fans, watching TV newsmagazines and talk shows at high rates. *Old Glories* are more likely to purchase goods from home shopping channels, play lottery games, belong to a local PTA or veteran's club, do indoor gardening and shop at BJ's Wholesale Club.

- <u>The Affluentials:</u> Approximately 19% of the households in the trade area belong to *The Affluentials*, the second most affluent suburban social group in the nation. Clusters in this group share above-average incomes, college degrees, and white-collar jobs.

  The largest market segment in the trade area, the nearly 2,000 households in the *Home Sweet Home* cluster can be characterized as upper-middle class married couples living in mid-sized homes with few children. The adults in this segment hold professional and white-collar jobs, including occupations related to computers, engineering, and architecture, and have comfortable lifestyles, filling their homes with consumer electronics, toys, and pets. They are more likely to eat at Bennigan's and the Olive Garden, use an RV to travel, shop at CompUSA and Sports Authority, purchase audiobooks and DVDs, and go to the movies more than four times a month.

  The 1,498 households in the *Pools and Patios* cluster have evolved from a segment of young suburban families formed by Baby Boomers to one for mature, empty-nesting couples. Residents live in stable neighborhoods, work as white-collar managers and professionals, and are now at the peak of their careers. They have high indices for travel, including going on a cruise ship vacation, participating in a frequent flyer program, staying at a resort, and visiting a foreign country at least twice in the last three years. Households in *Pools and Patios* are also more likely to read Consumer Digest, shop at Lord & Taylor and Bed Bath & Beyond, belong to an arts association, and listen to all-news radio stations.

- Middleburbs: Approximately 18% of trade area households fall into the *Middleburbs* social group. The segments that comprise *Middleburbs* share a middle-class suburban perspective and tend to have plenty of discretionary income to visit casual-dining restaurants, shop at midscale department stores, and travel across North America.

  Of the 4,741 households in Middleburbs, 1,234 fall into the Suburban Sprawl cluster, a collection of middle-aged singles and couples living in the heart of suburbia. Typically members of the Baby Boomer generation, they hold good jobs in managerial, professional, and administrative occupations, and engage in "cocooning" at home, playing trivia games and renting videos. With respect to lifestyle behaviors, *Suburban Sprawl* households are more likely than the general population to order home-delivery meals, watch retro television on the TV Land cable network, belong to a veterans' club or environmental group, exercise at a fitness club or YWCA/YMCA, eat at Chili's Grill and Bar, and shop at Pier 1 Imports.

  The 1,076 households in the *Gray Power* cluster are characterized as older, middle-class homeowners who are aging in place rather than moving to retirement communities. They are generally healthier and more active than others in their age group, with high indices for membership in arts associations, civic clubs, fraternal orders, and country clubs. They are also more likely to dine at the Olive Garden, take a cruise ship vacation, shop at Marshall Field's and Neiman Marcus, go to live theater performances, and work for a political party or candidate.

- Country Comfort: The five segments in *Country Comfort* social group are filled with predominantly white, middle-class homeowners. They tend to be married, between the ages of 25 and 54, with or without children. They enjoy comfortable upscale lifestyles, prefer SUVs and minivans to cars, and exhibit high indices for gardening, woodworking, crafts, and playing golf.

  The 1,633 households in the *Traditional Times* cluster encompass small-town couples nearing retirement. Typically in their fifties and sixties, these middle-class Americans own their homes but are big travelers, especially in recreational vehicles and campers. *Traditional Times* households are more likely to own a rowing machine, belong to a country club, dine at Ponderosa and Cracker Barrel, do needlework or quilting, and enjoy gardening.

  Greenbelt Sports account for 1,475 trade area households. A segment of middle-class exurban couples, this cluster is known for its active lifestyle. Most of these residents are married, college-educated and own new homes; about a third have children. They have high rates for pursuing outdoor activities such as camping, birdwatching, mountain biking, canoeing, and backpacking. They are also more likely to shop at Crate & Barrel and BJ's Wholesale Club, use RVs, and get involved in fundraising.

- Landed Gentry: Approximately 3,600 households in the trade area are in the *Landed Gentry* social group. This group consists of wealthy Boomer families and couples with college degrees, professional jobs, and high spending on consumer electronics, wireless and computer technology, luxury cars, books and magazines, and exercise equipment.

  Within the trade area, the leading clusters in this group are *Country Casuals*, with 1,372 households, and *Big Fish, Small Pond*, with 1,035. *Country Casuals* are middle-aged, upper-middle class households that have started to empty nest. Many are dual-income households and/or own small businesses, providing them with the disposable income necessary for going out to eat and traveling frequently. They are more likely to purchase camping equipment, shop at dollar stores and Dress Barn, and go camping and fishing. *Country Casuals* also have a high index for domestic travel, staying at a hotel or motel.

The members of *Big Fish, Small Pond* are older, upper-class, college-educated professionals who are often among the leading citizens of their communities. They maintain large investment portfolios and spend freely on computer technology. They are more likely to belong to a country club, own a vacation or weekend home, purchase golf clubs, shop at Lowe's and Sports Authority, go birdwatching, and visit resorts.

- <u>Elite Suburbs</u>: One of the most affluent social groups in the nation, *Elite Suburbs* clusters have high incomes, educations, investments, and spending levels. The majority of the 2,230 trade area households in this group fall into the *Movers and Shakers* segment. *Movers and Shakers* are described as "America's up-and-coming business class" with dual income couples between the age of 35 and 54 with or without children. This cluster ranks number one for owning a small business and having a home office. A large portion of *Movers and Shakers* have a master's degree or higher. They are also more likely than the general population to go scuba diving/snorkeling, use the Internet to make travel arrangements, read PC Magazine, participate in a frequent flower program, exercise at a health club, shop at Pottery Barn and Nordstrom, and visit a golf or tennis resort.

The table below summarizes the characteristics of the leading segments in the trade area. Each segment listed has at least 1,000 households. Together, these clusters define roughly two-thirds of all trade area households.

Predominant PRIZM NE Clusters in the Painesville Trade Area

Cluster Name	Trade Area Households		Family Types	Age Ranges	Employment Levels	Socio-Economic Rank*
	Number	Percent				
Home Sweet Home	1,952	7.4%	mix	25-44	professional, white-collar	19
New Beginnings	1,760	6.6%	mix	Under 35	white-collar, service	44
Traditional Times	1,633	6.2%	singles/couples	55+	white-collar, blue-collar, farm	28
Pools and Patios	1,498	5.6%	couples	45+	professional, white-collar	15
Movers and Shakers	1,484	5.6%	couples	35-64	professional	3
Greenbelt Sports	1,475	5.6%	mix	25-54	white-collar, blue-collar, farm	23
Suburban Pioneers	1,396	5.3%	mix	Under 45	blue-collar, white-collar, service	52
Country Casuals	1,372	5.2%	couples	35-64	white-collar, blue-collar, farm	25
Suburban Sprawl	1,234	4.7%	singles/couples	25-44	white-collar, service, blue-collar	30
Old Glories	1,147	4.3%	singles	65+	blue-collar, white-collar, service	46
Gray Power	1,076	4.1%	singles/couples	65+	professional, white-collar	21
Big Fish, Small Pond	1,035	3.9%	couples	45+	professional	9

Source: Claritas Data Services; Camoin Associates

* - Segments are numbered 1 to 66 based on an overall affluence measure, with 1 being the highest.

A review of the retail market analysis prepared for downtown Painesville in 1991 suggests that the trade area demographics have changed somewhat. Although the earlier report does not appear to have utilized the catchy labels common to segmentation products like PRIZM, it did list six market segments comprising over 60% of the trade area population:

(1) "nonmobile working couples with above-average income who own older homes and have children";
(2) "younger mobile professionals who are well educated, own homes in suburban locations, and have families with children";
(3) "homeowners with average educations and above average income as a result of being two income households…with children";

(4) "mature professionals who are well educated and affluent with larger families containing teenagers";
(5) "younger, married homeowners with larger families who have above-average income"; and
(6) "younger working couples with larger families who own their homes but are relatively mobile."[6]

Compared to 1991, it appears that there are more "empty nester" households in the trade area, although younger households with children are the focus of *New Beginnings* and *Suburban Pioneers*. Additionally, two of the largest market segments in the trade area – *Gray Power* and *Old Glories* – are dominated by persons aged 65 and over. Most likely the prevalence of seniors and middle-aged empty nesters is the result of the aging of the baby boom generation, rather than the in-migration of these populations to the trade area: in fact, households in such clusters as *Gray Power* (seniors) and *Pools and Patios* (empty-nesters) have very high indices for moving into their current residence more than 30 years ago, whereas those in *New Beginnings* and *Suburban Pioneers* are more likely to have moved into their current unit less than a year ago.

Of the leading market segments in the trade area, *Big Fish, Small Pond* and *Movers and Shakers* are the most affluent. Householders in these clusters are more likely to have advanced degrees, including professional degrees and doctorates, and to have lived in their current unit for 11-20 years. The major difference between the two segments is in terms of householder age and family size: generally speaking, *Big Fish* households are older and smaller than *Movers and Shakers*, who also have a higher index for homeownership.

Increasingly, retail chains large and small are using customer information to locate their stores, allocate their products, conduct target marketing, and ultimately sell their goods and services. The demographics, interests, activities, and lifestyles of households in the defined trade area affect their behavior as consumers. The more one knows about potential customers, the easier it is for retailers to understand how to attract and retain them.

E. Consumer Spending Patterns

This section examines the estimated consumer demand within the trade area for selected consumer products. Household spending on items such as health care services, education, day care, shelter, and transportation is excluded from this analysis. It should be noted that the categories listed represent purchases by merchandise line or product type rather than by the type of store; some of these items may be sold by several store types. Nevertheless, the information presented indicates the extent of the purchasing power available within the trade area.

The estimated demand for food, personal care products and household items, apparel, and in-home entertainment by residents of the trade area currently totals $731.7 million. This consumer demand is projected to increase by about 18% to $865.6 million by 2009. The aggregate demand for food and drink represents nearly 43% of the current demand, followed by entertainment, comprising another 20%.

The consumer demand for dining and drinking away from home, at $145.5 million, is only slightly more than the demand for entertainment. This demand is projected to increase to $171.9 million by 2009, growing about the same rate as the overall consumer demand across all of the selected categories. The demand for breakfast/brunch, lunch, and snacks, however, is expected to increase more rapidly.

The demand for entertainment and related items is estimated at $142.7 million and is projected to increase by approximately 24% to $177.2 million by 2009. Most of the goods and services represented in this category are projected to grow at rates of 20% or more. The current level of demand includes

[6] CT Consultants, Inc. *Retail Market Analysis for the City of Painesville, Ohio*. September 1991, pages 10-11.

$49.0 million for TV, radio, and sound equipment; $37.3 million for reading materials; $37.2 million for travel; and $14.7 million for reading materials.

Demand for apparel in the trade area is currently estimated at $110.8 million and is projected to increase to $132.3 million in the next five years. Demand is highest for women's apparel, at $32.0 million, followed by miscellaneous apparel products ($28.7 million); men's apparel ($21.4 million); and footwear ($12.8 million).

Current and Projected Consumer Demand by Selected Product Category, Painesville Trade Area

Selected Merchandise Types and Categories*	2004 Total Annual Spending (000s)	2004 % Share	2009 Total Annual Spending (000s)	2009 % Share	2004-2009 Change	2004-2009 % Change
Food, Alcohol At Home	**$165,478**	**22.6%**	**$185,682**	**21.5%**	**$20,204**	**12.2%**
Food, Alcohol Away From Home	**$145,513**	**19.9%**	**$171,913**	**19.9%**	**$26,400**	**18.1%**
Snacks and Nonalcoholic Beverages	$11,479	1.6%	$15,450	1.8%	$3,971	34.6%
Breakfast and Brunch	$9,699	1.3%	$13,012	1.5%	$3,313	34.2%
Lunch	$34,723	4.7%	$43,823	5.1%	$9,100	26.2%
Dinner	$42,558	5.8%	$47,943	5.5%	$5,385	12.7%
Alcoholic Beverages	$12,341	1.7%	$13,297	1.5%	$956	7.7%
Misc. Personal Items	**$86,830**	**11.9%**	**$105,400**	**12.2%**	**$18,570**	**21.4%**
Household Equipment	**$80,489**	**11.0%**	**$93,114**	**10.8%**	**$12,625**	**15.7%**
Household Textiles	$15,153	2.1%	$18,272	2.1%	$3,119	20.6%
Furniture	$22,084	3.0%	$24,980	2.9%	$2,896	13.1%
Small Appliances & Housewares	$18,472	2.5%	$20,450	2.4%	$1,978	10.7%
Major Appliances	$9,178	1.3%	$9,624	1.1%	$446	4.9%
Apparel	**$110,778**	**15.1%**	**$132,257**	**15.3%**	**$21,479**	**19.4%**
Girls' Apparel	$6,780	0.9%	$8,328	1.0%	$1,548	22.8%
Boys' Apparel	$6,428	0.9%	$7,796	0.9%	$1,368	21.3%
Women's Apparel	$32,024	4.4%	$38,764	4.5%	$6,740	21.0%
Other Apparel Products/Services	$28,686	3.9%	$34,514	4.0%	$5,828	20.3%
Men's Apparel	$21,411	2.9%	$25,027	2.9%	$3,616	16.9%
Footwear	$12,777	1.7%	$14,797	1.7%	$2,020	15.8%
Infants' Apparel	$2,672	0.4%	$3,031	0.4%	$359	13.4%
Entertainment	**$142,697**	**19.5%**	**$177,205**	**20.5%**	**$34,508**	**24.2%**
Sports & Recreation	$37,230	5.1%	$48,257	5.6%	$11,027	29.6%
Reading Materials	$14,733	2.0%	$18,640	2.2%	$3,907	26.5%
TV, Radio, and Sound Equipment	$49,096	6.7%	$61,044	7.1%	$11,948	24.3%
Travel	$37,258	5.1%	$44,565	5.1%	$7,307	19.6%
Photographic Equipment	$4,380	0.6%	$4,699	0.5%	$319	7.3%
Total, Selected Expenditures	**$731,785**	**100.0%**	**$865,571**	**100.0%**	**$133,786**	**18.3%**

Source: Claritas Data Services and Camoin Associates, Inc.

** Some category totals include product types not listed.*

Note: Within each category, product types are listed in descending order based on the percent change from 2004 to 2009.

On an annual basis, trade area households spend significantly *more* than the average U.S. household on food and alcoholic beverages away from home, housewares and appliances, sporting goods, reading materials, and photographic equipment, according to Claritas data. They spend $543 more per household on dining out than the average household. They also have a higher index for spending on catered events, with current annual demand estimated at $3.2 million. Differences in consumer spending levels may be due to a variety of demographic and socio-economic factors including income levels, average household size, family type, and age.

F. Retail and Service Industry Profiles

<u>Downtown Painesville</u>

The table below profiles the retail industry in downtown Painesville – that is, the central business district of the City. (For the purposes of this analysis, the downtown was defined as Census Tract 2044, Block Group 1 and Census Tract 2045, Block Groups 1 and 3.) Based on data provided by Claritas Business-Facts, which includes data from infoUSA, retail establishments in the downtown generate an estimated $46.6 million in sales annually. This is approximately 8% of all retail sales in the trade area.

Overall, retail activity in the downtown area is dominated by eating and drinking establishments, which represent nearly 40% of the retail businesses and 28% of sales. A single hardware store accounts for 27% of retail sales, while gas stations/auto supply stores and drug stores each contribute about 13%. Downtown Painesville is served by a single grocery store with an estimated $2.8 million in sales. The area does not present any strong retail clusters. Shoppers' goods retailers – also known as "GAFO stores," which compete for customers based on quality, price, and selection rather than convenience[7] – are underrepresented in downtown Painesville; in fact, GAFO stores account for only 8% of retail sales generated. (GAFO stores account for about 17% of all retail sales in the trade area and 33% of sales in Ohio.)

Retail Sales Profile - Downtown Painesville

Store Type	Store Count	Estimated Total Sales (millions)	Sales Distribution
Eating & Drinking Places	**18**	**$13.1**	**28.1%**
Convenience Retail	**14**	**$29.6**	**63.5%**
Building Materials & Garden Supply	1	$12.7	27.3%
Gasoline Service Stations & Auto Supply	6	$6.3	13.5%
Drug Stores	3	$6.2	13.3%
Grocery Stores	1	$2.8	6.0%
Food Stores (Other Than Grocery)	3	$1.6	3.4%
Shoppers' Goods / GAFO Stores	**14**	**$3.9**	**8.4%**
Furniture & Home Furnishings Stores	3	$0.9	1.9%
Liquor Stores	2	$0.9	1.9%
Florists	2	$0.5	1.1%
Apparel & Accessory Stores	1	$0.2	0.4%
Sporting Goods & Bicycle Stores	1	$0.2	0.4%
Used Merchandise Stores	1	$0.1	0.2%
Hobby, Toy, and Game Shops	1	$0.1	0.2%
All Other Retail Stores	3	$1.0	2.1%
Total Retail	**46**	**$46.6**	**100.0%**

Source: Claritas Data Services and Camoin Associates, Inc.

Claritas reports *no* establishments in downtown Painesville of the following retail store types:

- General merchandise stores
- Automotive dealers
- Household appliance stores
- Radio, TV, consumer electronics, and music stores
- Antique stores[8]
- Book stores
- Stationery stores
- Jewelry stores
- Camera/photographic supply stores
- Gift and souvenir stores

[7] GAFO stores include general merchandise, apparel, furniture and home furnishings, and miscellaneous retail stores.
[8] Although the Claritas data is updated regularly, this is inaccurate, as there are currently two antique stores downtown.

Service Industry Profile - Downtown Painesville			
Category	**Store Count**	**Estimated Total Sales (millions)**	**Sales Distribution**
Personal Services	**13**	**$3.6**	**55.4%**
Funeral Service and Crematories	1	$1.9	29.2%
Barber Shops	4	$0.7	10.8%
Misc. Personal Services	2	$0.4	6.2%
Beauty Shops	3	$0.3	4.6%
Laundry, Cleaning, and Garment Svcs	2	$0.2	3.1%
Photographic Studios	1	$0.1	1.5%
Automotive Services	**7**	**$1.8**	**27.7%**
Automotive Repair Shops	7	$1.8	27.7%
Miscellaneous Repair Services	**2**	**$0.3**	**4.6%**
Reupholstery and Furniture Repair	1	$0.1	1.5%
Misc. Repair Shops and Related Services	1	$0.2	3.1%
Amusement and Recreation Services	**2**	**$0.8**	**12.3%**
Misc. Amusement and Recreation Svcs	2	$0.8	12.3%
Total Selected Services	**24**	**$6.5**	**100.0%**

Source: Claritas Data Services and Camoin Associates, Inc.

With respect to household-oriented services in downtown Painesville, Claritas reports 24 businesses with an estimated $6.5 million in annual revenues. The majority can be classified as personal services, with a total of $3.6 million in sales[9]. Revenue leaders include funeral homes ($1.9 million in annual sales) and miscellaneous amusement and recreation services, excluding movie theaters ($0.8 million).

According to Claritas, the following service businesses are not present in downtown Painesville:

- Shoe repair shops
- Car rentals
- Electrical repair
- Watch, clock, and jewelry repair
- Movie theaters
- Videotape rentals

Trade Area

Retailers in the Painesville trade area comprise approximately 473 establishments generating an estimated $582.7 million in annual sales. The retail categories with the highest level of sales in the trade area are building materials and garden supply ($135.7 million), automotive dealers ($115.0 million), eating and drinking places ($87.6 million), and grocery stores ($59.7 million).

The building materials category accounts for a larger proportion of sales in the trade area (23%) relative to the state (10%). The strong sales in this category may be associated with the growth of the area as measured by construction activities; the sales of hardware, paint, and garden items are often directly correlated with active housing markets.

[9] Contrary to the single photographic studio identified in the table, there are actually 3 such establishments in the downtown.

The automotive category is typically a sales leader because cars and trucks are a "big ticket" item. The high level of grocery store sales is also fairly typical, since groceries are a basic commodity that must be purchased on a regular basis regardless of income. However, more than 7% of trade area sales, compared with 3% of retail sales statewide, are attributable to food stores other than grocery, such as bakeries, produce markets, and candy stores.

Retail Sales Profile - Painesville Trade Area			
Store Type	**Store Count**	**Estimated Total Sales (millions)**	**Sales Distribution**
Eating & Drinking Places	**130**	**$87.6**	**15.0%**
Convenience Retail	**176**	**$398.0**	**68.3%**
Building Materials & Garden Supply	64	$135.7	23.3%
Automotive and Other Vehicle Dealers	34	$115.0	19.7%
Gasoline Service Stations & Auto Supply	30	$33.5	5.7%
Drug Stores	7	$12.7	2.2%
Grocery Stores	23	$59.7	10.2%
Food Stores (Other Than Grocery)	18	$41.4	7.1%
Shoppers' Goods / GAFO Stores	**167**	**$97.1**	**16.7%**
General Merchandise	7	$33.1	5.7%
Apparel & Accessory Stores	10	$2.5	0.4%
Furniture & Home Furnishings Stores	23	$16.0	2.7%
Household Appliance Stores	4	$1.9	0.3%
Radio, TV, Consumer Electronics, & Music Stores	14	$6.8	1.2%
Liquor Stores	6	$1.9	0.3%
Used Merchandise Stores	15	$3.1	0.5%
Antique Stores	8	$1.3	0.2%
Sporting Goods & Bicycle Stores	11	$5.1	0.9%
Book Stores	1	$2.2	0.4%
Stationery Stores	0	$0.0	0.0%
Jewelry Stores	0	$0.0	0.0%
Hobby, Toy, and Game Shops	11	$1.2	0.2%
Gift and Souvenir Stores	14	$3.3	0.6%
Florists	10	$2.0	0.3%
All Other Retail Stores	33	$16.7	2.9%
Total Retail	**473**	**$582.7**	**100.0%**

Source: Claritas Data Services and Camoin Associates, Inc.

The trade area also has a wide variety of service businesses oriented to consumer markets: a total of 314 establishments with an estimated $113.1 million in annual sales. Particularly strong are amusement and recreation services ($49.5 million) and automotive services ($34.8 million). Amusement and recreation services include movie theaters, video rentals, professional or semi-professional athletic clubs, physical fitness facilities, amusement parks, membership sports and recreation clubs, and golf courses.

Service Industry Profile - Painesville Trade Area			
Category	**Store Count**	**Estimated Total Sales (millions)**	**Sales Distribution**
Personal Services	**99**	**$17.2**	**15.2%**
Beauty Shops	32	$5.4	4.8%
Misc. Personal Services	26	$4.8	4.2%
Funeral Service and Crematories	4	$2.7	2.4%
Barber Shops	15	$1.8	1.6%
Laundry, Cleaning, and Garment Svcs	13	$1.6	1.4%
Photographic Studios	8	$0.8	0.7%
Shoe Repair Shops	1	$0.1	0.1%
Automotive Services	**117**	**$34.8**	**30.8%**
Automotive Repair Shops	79	$21.0	18.6%
Automotive Rental and Leasing	18	$10.5	9.3%
Other Automotive Services	20	$3.3	2.9%
Miscellaneous Repair Services	**46**	**$11.6**	**10.3%**
Misc. Repair Shops and Related Svcs	20	$5.8	5.1%
Electrical Repair Shops	21	$5.3	4.7%
Reupholstery and Furniture Repair	5	$0.5	0.4%
Amusement and Recreation Services	**52**	**$49.5**	**43.8%**
Misc. Amusement and Recreation Svcs	49	$47.7	42.2%
Videotape Rentals	1	$1.0	0.9%
Motion Picture Theaters	2	$0.8	0.7%
Total Selected Services	**314**	**$113.1**	**100.0%**

Source: Claritas Data Services and Camoin Associates, Inc.

There are relatively few store and service industry types that are not available within the trade area. According to Claritas data, the trade area does not have any stationery stores, jewelry stores, camera shops, or watch, clock, and jewelry repair services. Many of the goods and services provided by these establishments, however, may be provided by other types of businesses.

G. Retail and Service Industry Expenditure Analysis: Sales Leakage & Capture Rates

In this section, estimated household expenditures by store type are compared with actual sales to identify gaps between the supply and demand for goods and services. The term *sales leakage* is used to refer to the demand for goods and services that is not being met locally – in other words, consumers are going outside the area for purchases in a given retail sector. Typically, bedroom communities experience high levels of sales leakage because retail establishments are limited in number; conversely, a sales surplus often exists in large cities and metropolitan areas because of their retail diversity and opportunities to draw shoppers from other areas.

In downtown commercial districts, the extent of sales leakage can vary, depending on the strengths and weaknesses of the local retail sector, the competition that exists in neighboring communities, and the impact of Internet and catalog retailers on specific retail categories.

The net sales leakage across all retail establishments in downtown Painesville is estimated at $117.4 million. Excluding automotive dealerships, the sales leakage is highest for grocery stores ($20.7 million), miscellaneous retail stores[10] ($15.8 million), general merchandise stores ($15.0 million), and consumer electronics stores ($9.9 million). There is also sales leakage in eating and drinking places ($8.3 million) and in most of the various types of service establishments discussed in the previous section. Recapturing a portion of the sales leakage represents a potential opportunity for additional establishments and sales as well as associated tax revenue in downtown Painesville.

Sales Leakage Analysis - Downtown Painesville and Trade Area

Store Type	Estimated Sales Leakage or Surplus (millions)		Distribution of Sales Leakage - Trade Area
	DT Painesville	Trade Area	
Eating & Drinking Places	**($8.3)**	**($47.4)**	**10.4%**
Convenience Retail	**($59.7)**	**($167.0)**	**36.8%**
Building Materials & Garden Supply	($3.1)	$35.7	NA
Automotive and Other Vehicle Dealers	($32.1)	($87.7)	19.3%
Gasoline Service Stations & Auto Supply	($3.4)	($27.8)	6.1%
Drug Stores	$2.1	($13.4)	2.9%
Grocery Stores	($20.7)	($89.0)	19.6%
Food Stores (Other Than Grocery)	($2.6)	$15.1	NA
Shoppers' Goods / GAFO Stores	**($49.4)**	**($240.0)**	**52.8%**
General Merchandise	($15.0)	($62.0)	13.7%
Apparel & Accessory Stores	($3.8)	($23.0)	5.1%
Furniture & Home Furnishings Stores	($3.9)	($14.6)	3.2%
Household Appliance Stores	($0.8)	($3.2)	0.7%
Radio, TV, Consumer Electronics, & Music Stores	($9.9)	($56.1)	12.3%
Miscellaneous or "Specialty" Retail	($15.8)	($81.1)	17.8%
Liquor Stores	$0.4	($1.3)	0.3%
Used Merchandise Stores	($0.7)	($2.2)	0.5%
Antique Stores	($0.2)	$0.2	NA
Sporting Goods & Bicycle Stores	($0.4)	$1.3	NA
Book Stores	($0.3)	$0.4	NA
Stationery Stores	($1.4)	($9.1)	2.0%
Jewelry Stores	($0.5)	($3.1)	0.7%
Hobby, Toy, and Game Shops	($0.6)	($3.0)	0.7%
Camera/Photographic Supply Stores	($0.1)	($0.9)	0.2%
Gift and Souvenir Stores	($1.5)	($6.0)	1.3%
Florists	($0.0)	($1.4)	0.3%
All Other Retail Stores	($10.5)	($56.0)	12.3%
Total Net Sales Leakage	**($117.4)**	**($454.4)**	**100.0%**

Source: Claritas Data Services and Camoin Associates, Inc.

Typically, the extent of sales leakage from a large trade area is not as extensive (relative to total sales) as for a city or a downtown retail district because they exhibit more retail diversity and thus consumer choice. The value of the sales leakage from the defined trade area for downtown Painesville, however, is a high $454.4 million. This is due to the fact that many of the communities in the trade area are, in fact, bedroom communities with limited commercial development. The sales leakage for shoppers' goods is

[10] The miscellaneous or "specialty" retail category includes liquor stores, used merchandise and antiques stores, sporting goods stores, jewelers, book stores, hobby and toy stores, florists, etc.

particularly high, indicating that residents tend to do much of their comparison shopping *outside* the area. The majority of the sales leakage is probably going to malls and shopping centers in the City of Mentor, one of the largest retail centers in the region with an estimated 6 million square feet of retail space.

Estimated Retail Capture - Downtown Painesville and Trade Area		
Store Type	Estimated Capture Rate	
	DT Painesville	Trade Area
Eating & Drinking Places	**61.3%**	**64.9%**
Convenience Retail	**33.1%**	**70.4%**
Building Materials & Garden Supply	80.3%	135.7%
Automotive and Other Vehicle Dealers	0.0%	56.7%
Gasoline Service Stations & Auto Supply	65.0%	54.7%
Drug Stores	150.5%	48.8%
Grocery Stores	11.9%	40.2%
Food Stores (Other Than Grocery)	38.4%	157.3%
Shoppers' Goods / GAFO Stores	**7.3%**	**28.8%**
General Merchandise	0.0%	34.8%
Apparel & Accessory Stores	5.0%	9.8%
Furniture & Home Furnishings Stores	18.6%	52.3%
Household Appliance Stores	0.0%	37.6%
Radio, TV, Consumer Electronics, & Music Stores	0.0%	10.8%
Miscellaneous or "Specialty" Retail	15.0%	31.2%
Liquor Stores	178.0%	59.4%
Used Merchandise Stores	11.8%	58.1%
Antique Stores	0.0%	115.4%
Sporting Goods & Bicycle Stores	33.4%	134.6%
Book Stores	0.0%	122.2%
Stationery Stores	0.0%	0.0%
Jewelry Stores	0.0%	0.0%
Hobby, Toy, and Game Shops	15.1%	28.6%
Camera/Photographic Supply Stores	0.0%	0.0%
Gift and Souvenir Stores	0.0%	35.3%
Florists	92.4%	58.5%
All Other Retail Stores	8.7%	23.0%
Total Retail Sales	**28.4%**	**56.2%**

Source: Claritas Data Services and Camoin Associates, Inc.

Capture rates indicate the extent to which the local retail market is "capturing" resident demand. Capture rates of less than 100% indicate that residents are shopping in other communities or via catalog purchases, resulting in the leakage of consumer expenditures from the area; capture rates over 100%, on the other hand, indicate that the market is capturing a high percentage of resident demand and may even be serving non-resident markets (e.g., students, visitors, commuters). Unusually high or low average expenditures by trade area households may also be reflected in capture rates.

Estimated retail capture rates by store type are shown in the table at left. The overall capture rate of 28.4% for downtown Painesville suggests that nearly three-quarters of resident purchases are made outside the downtown business district. In particularly, the shoppers' goods category, including miscellaneous retail, is underserved, with a relatively high level of unmet demand.

Few retail categories evidence significant "draw." The capture rate of over 150% in drug stores indicates shoppers from a larger region are making purchases at one of three drug stores in downtown Painesville, perhaps while en route from the hospital or medical offices in the area. While there are gaps in most areas of miscellaneous retail, liquor stores and florists are capturing a higher percentage of local demand.

The larger trade area captures a higher level of resident demand; it is evident, however, that there is still a significant level of sales leakage: with an overall capture rate of 56%, 44 cents of every dollar is spent *outside* the trade area. Retail categories that *are* particularly strong in capturing resident demand within the trade area include hardware and garden supply stores, specialty food stores, antique stores, sporting goods stores, and bookstores.

Capture rates for selected service industries are shown in the table at right. As with retail industries, the majority of the capture rates are low, indicating significant sales potential in the trade area. Considering the characteristics of the local population, the area could support additional business development and expansion in amusement and recreation. This would contribute to a higher level of visitation and overall activity in the downtown business district.

Service Industry Capture Rates - Downtown Painesville and Trade Area		
Store Type	Estimated Capture Rate	
	DT Painesville	Trade Area
Personal Services	**82.0%**	**61.9%**
Laundry, Cleaning, and Garment Svcs	30.1%	38.1%
Photographic Studios	53.1%	67.1%
Beauty Shops	22.1%	62.8%
Barber Shops	299.8%	121.9%
Shoe Repair Shops	0.0%	80.6%
Funeral Service and Crematories	332.4%	74.7%
Misc. Personal Services	29.5%	56.0%
Automotive Services	**21.9%**	**66.9%**
Automotive Rental and Leasing	0.0%	43.8%
Automotive Repair Shops	60.2%	111.0%
Other Automotive Services	0.0%	71.3%
Miscellaneous Repair Services	**14.2%**	**86.8%**
Electrical Repair Shops	0.0%	210.5%
Watch, Clock, and Jewelry Repair	0.0%	0.0%
Reupholstery and Furniture Repair	109.9%	86.9%
Misc. Repair Shops and Related Services	12.7%	58.1%
Amusement and Recreation Services	**7.9%**	**77.6%**
Motion Picture Theaters	0.0%	100.1%
Videotape Rentals	0.0%	44.1%
Misc. Amusement & Recreation Services	8.3%	78.5%
Total Receipts	**27.4%**	**68.9%**

Source: Claritas Data Services and Camoin Associates, Inc.

The table below demonstrates how sales leakage in the trade area could translate into opportunities for business development and expansion in downtown Painesville. The figures are illustrative and are provided merely to show the extent to which the City could benefit by capturing even a small percentage of the trade area market. Estimated capture rates are applied to the sales gaps identified in selected industry categories to calculate estimated sales and store square footage. *If achieved, the projected $12.2 million in retail sales and $1.3 million in consumer service industry revenues would increase total sales in downtown Painesville by as much as 25%.*

Business Opportunities in Painesville Trade Area and Projected Impact					
Selected Business Types	Total Sales Gap in Trade Area	Potential Impact on Downtown Painesville			
		Projected Capture	Estimated Sales	Estimated Sales Per SF	Supportable Square Footage
Selected Retail Stores					
Grocery Stores	$89,000,000	3%	$2,670,000	$175	15,257
Eating & Drinking Places	$47,400,000	5%	$2,370,000	$225	10,533
General Merchandise	$62,000,000	3%	$1,860,000	$200	9,300
Radio, TV, Consumer Electronics, & Music Stores	$56,100,000	3%	$1,683,000	$200	8,415
Apparel & Accessory Stores	$23,000,000	3%	$690,000	$200	3,450
Furniture & Home Furnishings Stores	$14,600,000	3%	$438,000	$200	2,190
Stationery Stores	$9,100,000	3%	$273,000	$200	1,365
Gift and Souvenir Stores	$6,000,000	3%	$180,000	$200	900
Household Appliance Stores	$3,200,000	3%	$96,000	$200	480
Jewelry Stores	$3,100,000	3%	$93,000	$200	465
Hobby, Toy, and Game Shops	$3,000,000	3%	$90,000	$200	450
Used Merchandise Stores	$2,200,000	3%	$66,000	$175	377
Other Miscellaneous Retail Stores	$56,000,000	3%	$1,680,000	$200	8,400
Total Retail	**$374,700,000**	**3%**	**$12,189,000**	**$200**	**60,945**
Selected Services					
Automotive Services	$17,200,000	3%	$516,000	$150	3,440
Amusement and Recreation Services	$14,300,000	3%	$429,000	$150	2,860
Personal Services	$10,600,000	3%	$318,000	$150	2,120
Miscellaneous Repair Services	$1,800,000	3%	$54,000	$150	360
Total Services	**$43,900,000**	**3%**	**$1,317,000**	**$150**	**8,780**

A significant population base resides within an easy commute of downtown Painesville. According to an ESRI market profile purchased by the City of Painesville, there are an estimated 14,721 households located within a three-mile radius and nearly 26,000 households within a five-mile radius. The ESRI report also reveals, however, that the further one travels, the higher the incomes of the resident population. Households located within a ten-mile radius of downtown Painesville, for example, have considerably higher levels of consumer spending than those living within a three-mile radius. The challenge is to make Painesville a retail destination that is competitive with other communities on the outskirts of the trade area.

H. Findings Summary

Although the retail mix in downtown Painesville is presently very limited in size and scope, this analysis has identified a number of potential opportunities based on characteristics of supply and demand in the trade area:

- Although Lake County overall has a large surplus of retail space relative to its population, the southern and eastern portions of the County, and neighboring Geauga County, are relatively underserved, forcing residents to travel long distances for shopping. The opportunity exists for downtown Painesville to capture some of the demand for goods and services.

- Nationally, there has been increasing interest in traditional Main Street districts and strong downtown markets by chain retailers. Restaurants, specialty retail establishments, and special events are drawing people back to downtown districts, particularly in affluent markets. This may present new opportunities for retail recruitment. At the same time, however, lifestyle centers are also growing, presenting a shopping "experience" that purports to recreate the ambiance of the traditional Main Street.

- The trade area population is experiencing steady growth with rising household income levels. By 2009, more than one-third of the households in the trade area will have incomes of $75,000 or above.

- The overall *distribution* of trade area households by type is projected to change little over the next five years; however, single-person households and smaller households of 3 persons or less are expected to have significantly higher rates of growth.

- Trade area households are becoming more concentrated in the 45-54 age range. This age cohort represents peak earning years: the median household income for householders aged 45-54 is estimated at $71,139, compared to $54,237 for all households in the trade area.

- Dramatic growth is also projected in the number of householders aged 55-64, which is expected to comprise nearly 18% of all trade area households by 2009. Nationally, this segment has the highest homeownership rate of all age groups. This trend is expected to impact local and regional housing markets in the very near future.

- Market segmentation data indicate a somewhat diverse trade area market, with a mix of young, moderate income singles; downscale and middle-class retirees; and affluent families and empty-nesters. The leading market segments in the trade area include some of the most affluent in the nation, with active lifestyles and plenty of disposable income.

- According to data from the 2000 Census, roughly 13% of all Lake County residents and 19% of Geauga County residents lived in a different county in 1995, with a combined total of 11,700 people who lived in a different state. The in-migration of households from other areas presents an opportunity to influence consumer shopping habits.

- The estimated demand for dining and drinking away from home by residents of the trade area currently totals $145.5 million, and is projected to increase to $171.9 million by 2009. Trade area households also spend significantly *more* than the average U.S. household on dining out. There are substantial opportunities for growth in restaurants and taverns within the trade area.

- Retail categories that *are* particularly strong in capturing resident demand within the trade area include hardware and garden supply stores, specialty food stores, antique stores, sporting goods stores, and bookstores. These store types may represent building blocks for expansion.

- The sales leakage across all store types in the trade area is estimated at $454.4 million. Approximately 44 cents of every dollar is spent outside the trade area. Sales leakage is highest for grocery stores, miscellaneous or "specialty" retail establishments, general merchandise, consumer electronics, and eating and drinking places. It is unlikely that all of this leakage could be recaptured given the enormous amount of retail in the City of Mentor. Nevertheless, recapturing even a portion of the sales leakage could translate into business development and expansion opportunities in downtown Painesville.

3 Office Market Analysis

A. U.S. Office Market Characteristics & Development Trends

Although the economic climate between industries can vary, there is a strong correlation between the health of the national economy and the demand for office space. The stronger the economy, the greater the likelihood office-utilizing businesses will grow and demand additional space. Those businesses with high office space utilization rates are most likely to follow this trend. The table below illustrates the 1987 Standard Industrial Classification (SIC) and 1997 North American Industrial Classification System (NAICS) industries that have high office space utilization rates.

Standard Industry Classification Office Industries	
SIC Code	**Description**
47	Transportation
48	Communications
50	Wholesale Trade
60-65	Finance, Insurance & Real Estate
73	Business Services
781-782	Motion Picture Production
80	Health Services (excl. Nursing Facilities and Hospitals
81	Legal Services
829	Schools & Education
83	Social Services (excl. Day Care and Residential Care
86	Membership Organizations
87	Engineering & Management
1997 North American Industrial Classification (NAICS)	
NAICS Code	**Description**
51	Information
52	Finance & Insurance
531	Real Estate
5324	Commercial/Industrial Equipment Rental & Leasing
54	Professional, Scientific & Technical Services
55	Management of Companies & Enterprises
561	Administrative & Support Services
6114	Business Schools & Computer Management Training
6116	Other Schools & Instruction
6117	Educational Support Services
621	Ambulatory Health Care Services
6241	Individual & Family Services
6243	Vocational Rehabilitation Services
7113	Promoters of Entertainment Events
7114	Agents/Managers for Artists
813	Religious/Grantmaking/Professional Organizations

According to Jo Allen Gause et al in the *Office Development Handbook*, approximately 20% of all employed Americans now work in office buildings. These buildings are located in downtowns, suburban strip malls, office parks and mixed-use developments. Office space is typically classified on a scale of A, B and C. Factors influencing classification include the following:

- Location – proximity to other businesses, transportation infrastructure, labor force, etc. determines the quality of that space. Historically, downtown central business districts are high density and high rent locations.
- Size and Flexibility – office buildings are characterized by three size classifications: high rise (16+ stories), mid-rise (4-15 stories) and low-rise (1-3 stories). Floor plate size and the ability to alter the floor plan layout are other measurable factors.
- Features & Amenities – the availability of parking, public transportation, high-speed Internet access, heating and cooling systems and the quality of finishes are other important factors.
- Quality of Finishes

According to recent market research studies, internal infrastructure and space flexibility are becoming increasingly important factors in office development trends. Many office users now require high-speed Internet access for bandwidth-intensive applications such as video and teleconferencing. As a result, new and renovated buildings must include sufficient and reliable power and the wiring necessary for high-speed computer networking.

Three recent trends impacting office development includes hoteling, commutation and lifestyle centers.

Hoteling - the sharing of office space with no individual offices or desks; *free-range*, offering work space on a first-come-first-served basis; and *hot-desking*, easily moveable workspaces, are also becoming highly desirable characteristics of office space environments. These recent trends require that office floor space be open and more flexible than what older buildings tend to offer.

Commutation - Urban and suburban commutation problems have also become a quality of life concern for employers and employees. As a result, larger companies and developers are increasingly siting new developments along public transportation infrastructure such as commuter rail lines, bus routes and highway interstates. As an example, the Bell South Corporation recently consolidated its 23 Atlanta offices into three new sites along the Atlanta Rapid Transit Authority rail line. The combined 3.1 million square feet development will allow 80% of its Atlanta work force to access their workplace by rail.

Lifestyle Centers - a mixed-use development trend that combines retail, office, housing and lodging facilities, are also rapidly growing in both urban and suburban communities. In effect, lifestyle centers are emulating older downtowns by creating aesthetically appealing buildings and streetscapes, creating office and residential space above retail and offering a variety of entertainment venues. This type of development allows residents to work, shop, live and entertain themselves and visitors all within walking distance. This concept is rapidly replacing traditional mall developments that began in the 70's. According to American Demographics, while only 60 lifestyle centers were in existence in 2003, the growing consumer spending ability of the Generation X market (ages 27-39), are now driving developers to create new place-like experiences. In fact, this development concept has all but replaced the 1960-1990 retail development trends. Only 5 regional mall developments were slated for 2003, compared with 20 additional lifestyle centers.

Just as mall development followed the baby boomer generation to the suburbs, a reduction in crime and the desire of the Generation X market to live in an urban community setting is beginning to repopulate downtown areas once again. The challenge for developers and city economic development officials is how to better service and capitalize on these changing markets.

B. Economic Conditions & Employment Projections

U.S. & State Economic Conditions

Year	Employment (000's)	Unemployment (000's)	Unemployment Rate
2000	136,891	5,692	4.0%
2001	136,933	6,801	4.7%
2002	136,485	8,378	5.8%
2003	137,736	8,774	6.0%

Source: US Department of Commerce

Because national and state economic conditions drive office employment, which in turn effects office space demand, greater attention is given in this section to the study of employment. According to the U.S. Department of Commerce, Bureau of Economic Analysis, the U.S. economy, measured by Gross Domestic Product (GDP), has experienced ten straight quarters of economic growth since the third quarter of 2001. Likewise, as of the first quarter of 2004, corporate profits recorded four months of consistent growth.

Year	Labor Force	Employment	Unemployment	Unemployment Rate
2000	5,763,000	5,530,000	233,000	4.0%
2001	5,858,000	5,609,000	248,000	4.2%
2002	5,847,000	5,515,000	332,000	5.7%
2003	5,915,000	5,552,000	363,000	6.1%

Source: Ohio Department of Job and Family Services

All indications appear to suggest that the U.S. economy is climbing out of a mild, but extended, recession. In fact, while U.S. employment declined from 136.9 million persons in 2001 to 136.4 persons in 2002, 1.3 million new jobs were created in 2003. Likewise, Ohio's unemployment rate has increased from 4.0% in 2000 to 6.1% in 2003. However, during that same period the number of persons employed in Ohio has risen from 5.53 million to 5.55 million. The U.S. and Ohio's rising unemployment rate since

Ohio Office Utilizing Industry Projections 2000-2010

SIC	Industry	2000 Employment	2010 Employment	Employment Change	% Change
80	Health Services (private)	492,100	580,900	88,800	18.0%
93	Local Government	529,900	588,800	58,900	11.1%
83	Social Services	108,900	145,000	36,100	33.1%
87	Engineering & Management	120,100	147,100	27,000	22.5%
60	F.I.R.E.	308,100	334,200	26,100	8.5%
50	Wholesale Trade, Durable	193,000	213,800	20,800	10.8%
86	Membership Services	106,800	117,600	10,800	10.1%
81	Legal Services	33,000	41,400	8,400	25.5%
92	State Government	131,400	137,000	5,600	4.3%
48	Communications	47,700	52,600	4,900	10.3%
47	Transportation Services	18,100	21,900	3,800	21.0%
	Office Industry Totals	**2,089,100**	**2,380,300**	**291,200**	**13.9%**
	Total Ohio Employment	**5,997,900**	**6,659,900**	**662,000**	**11.0%**

Source: Ohio Department of Job and Family Services - Ohio Job Outlook 2101

2000 has been the result of labor force growth outpacing the national and state economies' ability to create new employment opportunities.

While both national and state employment has experienced a slight increase between 2000 and 2003, employment in office utilizing industries appears to have remained stable during that period. However, more current labor data indicate that overall state employment has rebounded and is once again growing. Furthermore, the Ohio Department of Job and Family Services, Bureau of Labor Market Information anticipates Ohio's office utilizing industry employment to grow from 2.1 million in 2000 to 2.4 million, or 13.9%, by 2010.

Regional and County Economic Conditions

According to the Ohio Department of Jobs and Family Services, "Like the state and nation, economic conditions in the Northern Ohio Economic Development Region improved throughout the 1990s with the unemployment rate falling to 4.5% in 2000, before rising to 4.6% in 2001 due to the recession."[1]

The Ohio Department of Job and Family Services provides industry employment projections to 2010 and 2012 depending upon the region/geography. Lake County is part of Region 8, otherwise known as the Northern Region, which also includes Lorain, Cuyahoga, and Geauga Counties. With an economic recovery believed to now be underway, Region 8 is expected to experience a 10.6% increase, or 119,530 new jobs from 1,126,930 in 2000 to 1,246,460 by 2010. The two largest occupations within Region 8, service and professional, are expected to add 39,170 and 28,880 jobs respectively by 2010; the most of any other occupational group. Other groups expected to grow faster than the State average include construction, extraction, management, business and financial occupations. Office and administrative type jobs are also projected to grow within Region 8, albeit at a rate slower than the state average.

Private Sector Employers with Significant Office Employment, Lake County, OH

NAICS Code	Description	Actual			Projected			
		2000	2002	2000-02 Net Change	2007	2012	2002-12 Net Change	2002-12 Rate Change
51	TOTAL: Information	1,009	885	(124)	885	883	(2)	-0.23%
52	TOTAL: Finance and Insurance	2,080	1,981	(99)	2,273	2,418	437	22.06%
53	SELECTED CODES: Real Estate and Rental and Leasing	624	664	40	648	625	(39)	-5.87%
54	SELECTED CODES: Professional, Scientific, and Technical Srvc.	3,142	3,106	(36)	3,193	3,436	330	10.62%
55	TOTAL: Management of Companies and Enterprises	1,066	660	(406)	755	870	210	31.82%
56	SELECTED CODES: Administrative and Waste Services	4,946	3,895	(1051)	4,863	5,498	1603	41.16%
61	SELECTED CODES: Educational Services	151	153	2	200	200	47	30.72%
62	SELECTED CODES: Health Care and Social Assistance	3,360	3,782	422	4,767	5,314	1532	40.51%
81	SELECTED CODES: Other Services, Except Public Admin.	720	781	61	1,097	1,162	381	48.78%
	TOTAL, ALL OFFICE-GENERATING INDUSTRIES IN LAKE COUNTY	17,098	15,907	(1191)	18,681	20,406	4499	28.28%
	TOTAL, ALL PRIVATE INDUSTRIES IN LAKE COUNTY	89,706	84,449	(5257)	100,957	105,938	21489	25.45%
	Office Employment as % of Total Employment	19.1%	18.8%		18.5%	19.3%		

Note: Based on Urban Land Institute

Source: Federal Bureau of Labor Statistics, QCEW Program; projected employment from Economy.com, Inc.

Experiencing the effect of the recession, Lake County lost a total of 5,257 private sector jobs between 2000 and 2002, 1,191 of which were positions within office using industries. However, in another study conducted by the Federal Bureau of Labor statistics and Economy.com, Lake County private sector office using industry employment is estimated to increase 4,499 jobs (28.8%) between 2002 and 2010. Inevitably, this increase will result in higher demand for office space within Lake County over the next 10 years. For the years 2000 and 2002, County office employment averaged approximately 19% of total employment and is consistent with the national average of approximately 20%.

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[1] Ohio Department of Job & Family Services, *Job Outlook 2010: Northern Ohio Economic Development Region 8*, pg 2.

City of Painesville Employment Highlights

City of Painesville demographic and economic data was presented earlier in this report. However, tax revenue data was gathered to determine recent City employment trends. According to this information, the City of Painesville employment declined from 14,790 in 2000 to 12,247 by 2003. However, based on County job outlook data, City employment may now be rebounding. According to State data and Camoin Associates projections, total City income tax revenue producing employment could grow to 18,684 by 2012.

City of Painesville Employment 2000-03	
Year	**Employment**
2000	14,790
2001	13,640
2002	13,529
2003	12,247
2012	*18,684**

Source: US Census Bureau

C. Office Market Conditions

National

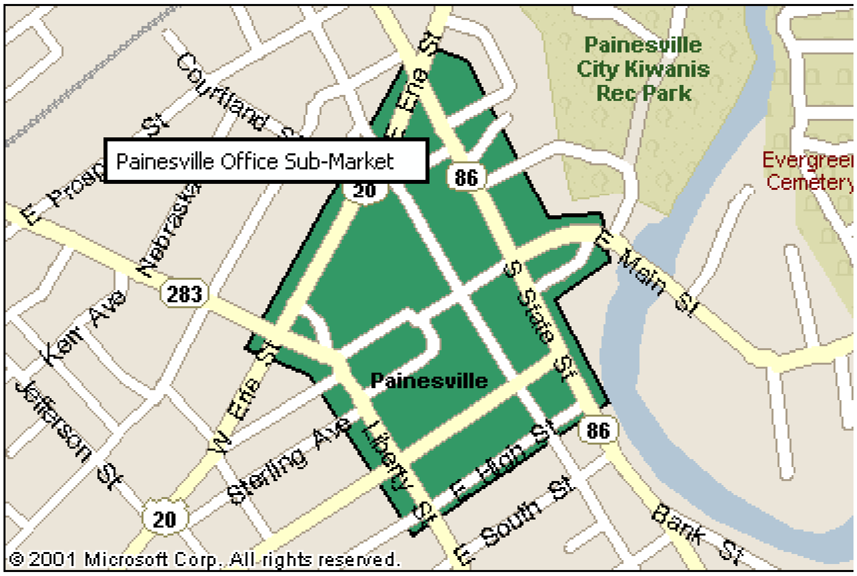
Professional employment is the most significant factor affecting office space markets. On average, one professional worker utilizes between 200 to 250 sq. ft. of office space. As real employment increases within office-using industries, the demand for office space increases. As a result, rental rates may rise, businesses may move to newer or more affordable space and the equilibrium between supply and demand shifts. However, there is typically a lag between economic growth and demand for office space. Economic expansion must first stimulate employment growth that in turn contributes to demand for additional space.

A softening demand for office space increased vacancy rates to a national average of 16.1% in 2003. While experts believe the vacancy rate has probably not yet peaked, a number of indicators suggest that the office market is about to rebound. First, the number of markets experiencing double-digit vacancy rates declined in 2003. Second, employment growth, albeit slow, has been consistent. Third, the number of new office projects declined 8%, contributing to a positive net absorption of 21.5 million square feet between 2002 and 2003. While the Northeast, Middle Atlantic and Great Lakes states experienced a negative net absorption rate during that period, these national trends and market history suggest that the office market should rebound by 2006. In fact, according to the Grubb & Ellis *Office Market Trends North America* summer 2004 report, the office leasing market now appears to have bottomed and is poised for a slow rebound. However, the report also notes that it may take approximately five years for a strengthening market to absorb existing space, before the national market returns to its long-term equilibrium vacancy rate of 10%. Currently, that rate stands at 17.1% (1st quarter 2004).

Grubb & Ellis also noted that net absorption rates for 2003 indicate that Class A space had a positive growth in both downtowns and in the suburbs, while Class B space experienced a decline in occupancies in the cities and increased demand in the suburbs. The increase in Class A space in both the cities and suburbs indicates a "flight to quality," where tenants capitalize on an opportunity to upgrade. The later trend suggests that businesses became more cost consciousness and moved from Class B city space to the more affordable Class B suburb space. Given its high rate of Class B and C office space, a "flight to quality" would not impact the City of Painesville favorably.

Regional

Corporate cut backs at manufacturing businesses in northeast Ohio have led to a reduction of front office and business support employment and thus office space demand. A negative net absorption of 6.1 million square feet in 2002 was followed by a negative net absorption of 1 million square feet in 2003, perhaps indicating that the downward trend is nearing the bottom. According to the Society of Industrial & Office Realtors (SIOR), Ohio's larger office markets in Cleveland, Cincinnati and Columbus are all expected to begin a reversal to a slow growth trend in 2004. However, similar to national market expectations, it is anticipated that it will be a few years before these markets reach a healthy equilibrium, where market supply mirrors demand.



According to the Grubb & Ellis' *Office Market Trends Cleveland* report, prospective tenants within the Cleveland area have once again been looking at new office space. However, the report states that this increase in activity has not been substantial enough to improve vacancy rates. The report also notes that while current vacancy rates are similar to those experienced in the early 1990's, the market conditions are different. New construction, not a decline in economic activity, led to higher rates in the early 1990's, whereas a decline in economic activity has led to the current market conditions.

Cleveland Submarket		
Market	**Vacancy Rate %**	**Lease Rate psf**
Class A	20.3%	$19.47
Class B	19.1%	$15.58
Class C	14.1%	$12.06
Average	19.4%	$17.26

Source: CB Richard Ellis MarketView Q2 2004

CB Richard Ellis (CBRE) reported similar suburban market trends in its *MarketView: Cleveland Suburban Office* second quarter report. According to their data, although the vacancy rates edged higher than the 1st quarter, Cleveland's suburban office market appears to have stabilized in the 2nd quarter of 2004. The Cleveland northeast office submarket vacancy rate averaged 17.8% for the 2nd quarter 2004 with an average psf rental rate of $17.26. Rental rates declined $.15 to $19.47 psf for class A space in the Cleveland market overall, and held firm at $15.58 psf for class B space for a third straight quarter. Similar to Grubb & Ellis, CBRE predicts a slow but steady improvement in the office market for the remainder of 2004.

City of Painesville

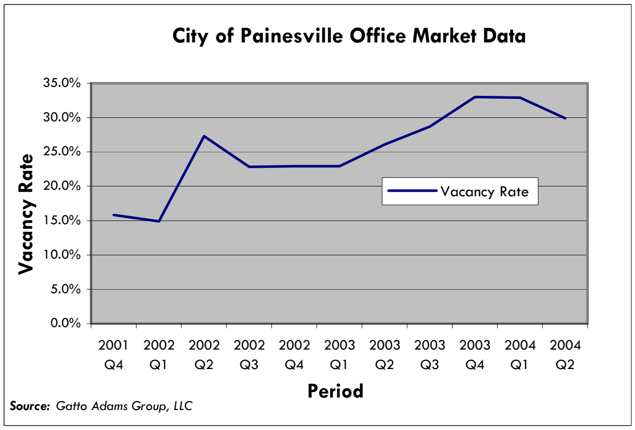
Office Space Inventory – Camoin Associates completed a commercial space inventory in July 2004 of the downtown which is generally defined by E. Erie, Richmond, Liberty, E. High, and South and North State Streets. Also included was E. Main Street east of State Street.

The Painesville office market can be described as a small urban area consisting of low-rise office and mixed-use structures. Aside from Lake County and the LakeEast Hospital System, there are currently no significant private office employers. As a result, existing demand is now comprised of a diverse mix of small professional service businesses. While government employment tends to remain stable over time, the relocation of 816 LakeEast Hospital jobs will undoubtedly

Downtown Painesville Office Space Occupancy					
	Total	% of Total	Occupied sq. ft.	Vacant sq. ft.	Vacancy Rate
Total Office Space	663,384	100%	513,510	149,874	22.6%
Total Class A Office Space	35,937	5%	31,712	4,225	11.8%
Total Class B Office Space	530,410	80%	424,815	99,007	18.7%
Total Class C Office Space	97,037	15%	56,983	46,642	48.1%

Source: Camoin Associates, Survey of Painesville Office Space, July 2004 impact City office-utilizing industry employment (See Impact section for further details).

Lake County government offices, as well as private businesses that utilize County records and courthouse facilities occupy a substantial amount of downtown office space. These primarily include title insurance companies, social service agencies and law offices. Based on the inventory, a total of 663,384 square feet of office space exists within the downtown Painesville market area. A significant portion of the total office space (95%) is considered Class B & C. The Painesville office market vacancy rate of 22.6% is 5.5 percentage points higher than the national rate of 17.1%, and 3.2 percentage points greater than the Cleveland submarket rate of 19.4%.



According to the inventory findings, only 5%, or 35,937 sq. ft., of the total market office space in Painesville is considered Class A. Law firms occupied a majority of that space. The demand for higher quality space, as experienced in regional and state-wide markets, may also be characteristic of the Painesville market as only 11.8% of Class A Space is currently vacant. This rate is considerably lower then the Cleveland Class A submarket rate of 20.3% for Class A space. Conversely, 48.1%, or 56,983 sq. ft. of the 97,037 sq. ft. Class C space is vacant. This rate is substantially greater than the Cleveland submarket rate of 14.1% and indicates a current glut of lower quality space.

City of Painesville Office Market Data

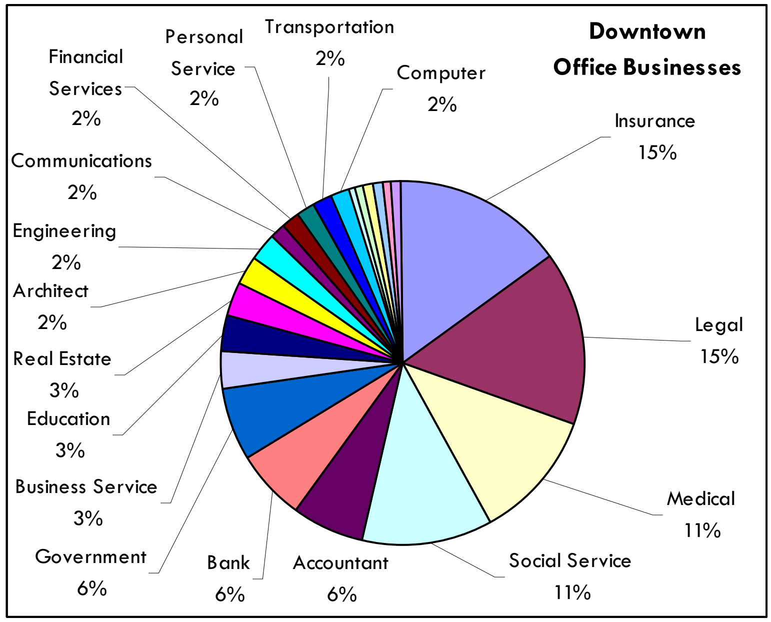
Period	Vacancy Rate	Average Cost psf
2002 Q3	22.8%	$ 15.47
2002 Q4	22.9%	$ 15.39
2003 Q1	22.9%	$ 15.57
2003 Q2	26.1%	$ 15.59
2003 Q3	28.7%	$ 15.13
2003 Q4	33.0%	$ 15.37
2004 Q1	32.9%	$ 15.32
2004 Q2	29.9%	$ 15.65

Source: Gatto Adams Group, LLC

<u>Gatto Adams Group, LLC Report Findings</u> - According to a report of 30 downtown properties provided by the Gatto Adams Group, LLC, current Painesville office property vacancy rates increased from 15.8% in 2001 Q4 to 29.9% in 2004 2Q. However, based on the firm's 431,403 sq. ft of representative properties, Painesville office vacancy rates have recently declined from 33.0% in the 4th quarter of 2003 to 29.9% in the 2nd quarter of 2004. This trend is supported by the regional market data presented earlier in this report. Gatto Adams Group, LLC data also suggests that rental rates have risen only slightly (+1.2%) from $15.47 psf in 2002 3Q to $15.65 in 2004 2Q.

<u>Office Business Inventory Summary</u> – An inventory of office businesses was conducted by Camoin Associates to further understand the type of businesses served by a downtown location. The most significant business types, each representing 15% of the 125 businesses identified, consisted of legal and insurance firms. In both instances, proximity to the County courthouse and real property records, explains the high percentage rate. Title insurance companies accounted for a significant portion of the insurance category. Other industries with a strong office presence included medical services (11.2%), social services (11.2%), accounting firms (6%), banking (6%), and government offices (6%). The finance, insurance and real estate (FIRE) industries combined, account for 41% of all downtown office businesses and just over half (52%) are in the insurance, legal, medical or social service industries.

Zoning & Land Use - Permitted land uses within the City's office market area are defined as B-2 and B-3 in the City's Schedule of District Regulations. Both B-2 and B-3 districts permit office use of commercial structures. However, office uses are not permitted to occupy a ground floor space with frontage on a public street within the B-3 district. This use limitation was probably established to promote 1st floor retail.

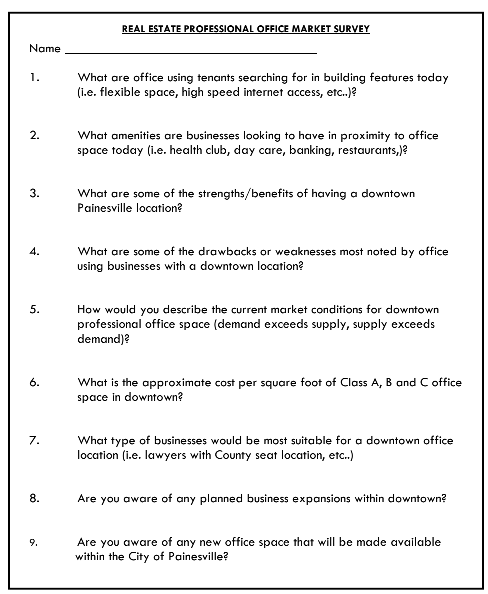


Amenities – Downtown Painesville lacks a variety of retail and personal service businesses that downtown office workers can utilize during the day. The decline in this type of business activity is the result of competition from commercial development occurring outside the urban core. This national commercial development trend was the result of increased suburban residential development. Suburban commuters tend to frequent personal service and consumer retail establishments that are closer to their place of residence. In the case of Painesville, the demand for these services and goods by downtown workers does not appear to support a variety of traditional retail shops. What demand does exist, appears to be met by pharmacy chains such as Rite Aid and CVS. To combat this trend, many urban areas are now promoting downtown housing as a means to support commercial retail activity. In addition, many communities are looking to attract specialty retail stores that provide goods not found in franchise establishments.

While *Bistro 70*, an American/intercontinental restaurant, was recently established in downtown, real estate professionals and developers noted a need for more of this type of amenity. In addition, long-term off-street parking that provides easy access appears to be lacking in the downtown.

Infrastructure – the City's water, sewer, electric and broadband Internet access capacity all appear to meet current and likely future demand.

Realtor & Developer Interview Findings - Phone interviews were conducted with representatives from local real estate and commercial property development professionals in an effort to understand their experiences and insight into the current City of Painesville office market. Interviews were conducted with Jeannine Soster (Gatto Adams, Group, LLC), Jeff Staats (Victoria Place) and Rick Osborne (OsAir, Inc.).



REAL ESTATE PROFESSIONAL OFFICE MARKET SURVEY

Name ______________________

1. What are office using tenants searching for in building features today (i.e. flexible space, high speed internet access, etc..)?
2. What amenities are businesses looking to have in proximity to office space today (i.e. health club, day care, banking, restaurants,)?
3. What are some of the strengths/benefits of having a downtown Painesville location?
4. What are some of the drawbacks or weaknesses most noted by office using businesses with a downtown location?
5. How would you describe the current market conditions for downtown professional office space (demand exceeds supply, supply exceeds demand)?
6. What is the approximate cost per square foot of Class A, B and C office space in downtown?
7. What type of businesses would be most suitable for a downtown office location (i.e. lawyers with County seat location, etc..)
8. Are you aware of any planned business expansions within downtown?
9. Are you aware of any new office space that will be made available within the City of Painesville?

The survey instruments developed for each group were similar and designed to obtain supply and demand data including office space availability, market rates, and characteristics and features office tenants are requiring such as broadband, and proximity to amenities, etc.

When asked about the strengths and benefits of having a downtown location, both realtors and developers identified the affordable lease rates. In addition, improved downtown aesthetics, small town atmosphere, summer square activities and proximity to local government offices and courthouses were also mentioned.

When asked to identify a drawback or weakness to having a downtown Painesville office location, respondents most frequently noted negative perceptions about the City's image. Although respondents stated that the City's crime rate and downtown image has improved tremendously in recent years, many prospective businesses still perceive a City like Painesville to be a "lower shelf" alternative. Both real estate and development professionals also noted a lack of easy access to highways and parking as primary drawbacks.

According to the interview findings, most prospective downtown tenants are small existing or start-up professional businesses that are expanding from a home office location within 15 minutes of Painesville. In addition, small businesses looking for a new site that are currently located in surrounding communities such as Mentor, Concord, Painesville, Madison or Perry Townships are also prospects. Fewer inquires and new businesses come from those communities located between Painesville and the City of Cleveland.

When asked about what potential new business tenants are now looking for in a new office location, available parking, broadband Internet access, affordable rent and proximity to shopping, restaurants and highway access are all of primary importance. Many of the respondents utilize local court and public record systems. These businesses included title insurance companies and law firms. As a result, proximity to the County Courthouse and other offices is also a primary factor in selecting an office location. According to local real estate professionals, prospective tenants are also interested in a location that provides them the greatest amount of exposure to pedestrian and vehicular traffic.

Finally, the real estate and development professionals were asked to describe the current supply and demand for regional and downtown office market space. Both groups stated that current market conditions are poor and that supply is clearly greater then demand. Citied examples include a 39% vacancy rate for Victoria Place and a 75% vacancy rate for the Bank One building. Respondents noted, however, that market demand began improving in January 2004, although it is still well below 2001.

One real estate professional noted that while overall inquiries have increased for other locations such as Chardon, Mentor, Willoughby and Concord, few are considering a Painesville location. The primary reason noted was that these other markets offer primarily Class A (Mentor and Willoughby) and quality B space (Chardon and Concord) in which demand was improving, while Class C demand remains weak.

No new City of Painesville office development projects were identified by the interviewees. However, new office developments were noted as occurring in Mentor.

Market Rental Rates - Three data sources were used to estimate current office market rental rates including real estate and developer interviews, the office business survey responses and advertised lease rates. According to real estate professional interviews, the gross market rate for Class B space ranges between $10.00-$12.00 psf, and Class C between $8.00-$9.00 psf. Cost estimates for Class A space were not available due to the lack of existing space.

Source	Class A	Class B	Class C
Real Estate Prof. Interviews	$15.65 gross	$10.00-$12.00	$8.00-$9.00
Office Business Survey	N/A	$10.94	$6.36
Advertised Space	$11.50	$9.50-$10.95	N/A

Business survey response data indicated that Class B space averages $10.94 psf and Class C space $6.36 psf. Based on advertised properties listed on the Sequoia Realty and Gatto Adams Group websites, Class A space was listed for $11.50+ and Class B for $9.50-$10.95 triple net. Limited interview, survey and advertised rental rate data was available for both Class A and C space, likely making average estimates erroneous. Nevertheless, based on the data and the quality of space within each Class, Camoin Associates estimates the average triple net Painesville Class A, B and C market rental rates to be approximately $12.00, $10.50 and $8.00 respectively.

Downtown Office Business Survey Findings – Camoin Associates conducted a business survey of office-utilizing businesses within the market area. The purpose of the survey was to understand the type of businesses that find downtown Painesville an attractive location and why market rental rates, perceptions of having a downtown location and how demand for space may be impacted by planned relocations or expansions.

According to the 22 survey respondents, sixteen (72.7%) currently lease space, while 27.3% own buildings. Four (4), or 25% of respondents leasing property expect to purchase a building in an average of 31 months. The average number of years respondent businesses have been located in downtown Painesville was 21.6. Proximity to County offices and clients, as well as affordable rental rates were noted among the most common reasons stated for locating in Painesville. When asked what other locations businesses considered before selecting a Painesville site, Concord and Painesville Townships were most frequently noted. Fifteen (15), or 68.2% of respondents stated that the Painesville location has met or exceed expectations, while seven (31.8%) stated their current location has not. Parking availability or access was cited as the primary reason for their dissatisfaction. It should be noted that other reasons provided pertained to the quality or size of space. Approximately ten (45%) of the responding businesses are anticipating expansions in the near future, of which only sixty (60%) expect to remain in downtown. Those that do not believe they will expand their business in downtown Painesville provided no consistent reason.

City of Painesville Projected Office Employment				
Area	**Actual**		**Projected**	
	2000	**2002**	**2007**	**2012**
Total County Employment	89,706	84,449	100,957	105,938
% Office Employment	19.1%	18.8%	18.5%	19.3%
Total City of Painesville Employment	14,790	13,529	17,489	18,684
City Office Employment	2,819	2,548	***3,236***	***3,599***
Projected 2012 Painesville Office Employment & Space Demand				
Current City Office Employment	2,568			
Painesville Office Employment Capacity	3,317			
Projected Office sf demand 2012	56,390			

Projected Painesville Office Demand – Based on income tax revenue data supplied by the City of Painesville, office space inventory results conducted by Camoin Associates and projected County employment provided by the Ohio Department of Jobs and Family Services (ODJFS), office space demand projections were prepared by Camoin Associates for out to the year 2012. According to Camoin Associates estimates, approximately 2,568 office jobs are currently located within Painesville's downtown market area. Based on current occupancy calculations, downtown has a capacity to employ an additional 749 office workers. Based on the Ohio JFS's projected 105,938 Lake County employment projections for 2012, Camoin Associates estimates the City of Painesville could have a total of 18,684 workers by that time, with 19.3%, or 3,599 of those being office jobs. The City's current office employment capacity is 3,317. In order to fully capitalize on projected demand, approximately 56,390 sf of additional office space may be needed by 2012.

D. Findings Summary

The following bullets summarize the conclusions drawn from the office market data:

- According to the Grubb & Ellis *Office Market Trends North America* summer 2004 report, the office leasing market now appears to have bottomed and is poised for a slow rebound. However, the report also notes that it may take approximately five years for a strengthening market to absorb existing space, before the national market returns to its long-term equilibrium vacancy rate of 10%.

- The Ohio Department of Job and Family Services, Bureau of Labor Market Information anticipates Ohio's office utilizing industry employment to grow from 2.1 million in 2000 to 2.4 million, or 13.9%, by 2010.

- Office and administrative type jobs are also projected to grow within Northeastern Ohio, albeit at a rate slower than the state average.

- Previously published reports indicate that National, State and regional office market conditions declined in 2001 and have been stabilizing or even improving since Q4 2003. As evidence of how the Painesville market is responding, the Gatto Adams Group, LLC recently noted that vacancy rates for 30 Painesville office properties declined from 33.0% in Q4 2003 to 29.9% Q2 2004.

- The City of Painesville office inventory serves primarily small locally-owned businesses. In addition, its substantial inventory of Class B and C space serves newer businesses that are looking for lower rental costs.

- The City of Painesville's overall office market vacancy rate of 22.6% is higher than that of the Cleveland region (17.8%). Painesville's Class C vacancy rate is a high 48.1%. Only 5% of the downtown market area's 663,384 sf of office space is considered Class A. Only 11.8% of Class A space is currently vacant, perhaps indicating a shortage of quality space in the Painesville market.

- Regionally, weak demand has created favorable pricing conditions for lessees, resulting in a greater desire for businesses to upgrade to quality space. This has created an unfavorable office market environment for Painesville, which consists primarily of lower quality Class B, and C office space (95% combined).

- Regional and local office market conditions are expected to improve moderately as County office employment is projected to grow at least until 2012. Based on Camoin Associates projections, demand for downtown Painesville office space could outpace supply by approximately 56,390 sf by 2012. However, Painesville will need to reposition itself as a location offering a higher quality office space and work environment to capitalize on this market opportunity.

- Based on Ohio 2012 projections within the context of the City of Painesville economic climate, the City can anticipate future demand for office space by local government (Lake County), social service organizations, and engineering, management and FIRE firms.

4 Industrial Market Analysis

A. General Market Conditions & Trends

Lake County, including the City of Painesville, is a submarket of the greater Cleveland market area as defined by several major industrial real estate brokerages. Current conditions in the Cleveland market area are driven not only by local industry factors including small/medium sized manufacturing activity and increased productivity, which is impacting the demand for physical space, but also by macro-level phenomena including outsourcing trends, interest rate movements and the global demand for construction materials. Taken together, these variables are exerting significant influence on both the frequency with which industrial real estate projects are undertaken and on the specific type(s) of operating space that is demanded by industrial businesses.

A 2003-2004 Colliers International report indicates that a significant amount of new industrial construction occurring within the Cleveland industrial market area is comprised largely of build-to-suit, single purpose buildings that are designed to accommodate the particular needs of their respective industrial users. On one hand, this fact points to stronger demand for new smaller and state-of-the-art industrial space. Conversely it is also believed that rising land prices, the aging of the industrial base and availability of obsolete manufacturing sites in the Cleveland market area could also spur greater interest in retrofitting existing, well located sites in order to meet specific business needs. As such, both new and existing industrial space could have development possibilities given their ability to fit with the operating requirements of industrial businesses.

Further substantiating the recent interest in more customized industrial space, at the beginning of the third quarter of 2004, over 1.9 million square feet of build-to-suit space was under construction in the Cleveland market area, indicating an increase over the first two quarters of 2004. Once again, this activity is primarily the result of industrial businesses demanding newer, more efficient operating space. Efficiencies with regard to worker productivity and leaner production/distribution networks are requiring industrial users to seek out more modern industrial space that consolidates operations into fewer physical locations. Additionally, employment growth for manufacturing businesses has historically resulted in higher demand for physical space, but in more recent times, greater productivity improvements, outsourcing and global competition are exerting downward pressure on employment for industrial businesses, thus lowering physical space requirements.

Demand for smaller buildings (up to 50,000 square feet) has been relatively strong and according to 2003 data released by Colliers International, 88.0% of total available industrial space in the Cleveland market area was comprised of non-flexible manufacturing space, whereas a growing 12.0% of the total available industrial space was comprised of flex space. The data also indicate that approximately 64.0% of new industrial space inventory was non-flexible manufacturing, whereas 36.0% was flex space. These ratios substantiate the strong demand for more flexible manufacturing space that supports the efficiencies required to sustain industrial competitive advantages.

As mentioned previously, several other significant phenomena are impacting the market for industrial space in the Cleveland industrial market area including interest rates and the availability of construction materials such as concrete and steel. In the second quarter of 2004, over one million square feet of new industrial space was completed and made available in the Cleveland industrial market area. According to CB Richard Ellis, several variables could potentially stabilize demand for industrial space in the latter half of 2004 and into 2005. First, the market anticipates some uncertainty with regard to potential interest rate increases. The concern is that higher interest rates in the near future could effectively increase the financing costs associated with the sale/lease of industrial space. Secondly, higher steel and concrete prices, driven in part by strong Asian demand and other market constraints, are putting upward pressure on new construction costs and could thus slow the rate of new industrial construction projects. Lastly, seasonality is also impacting the market for industrial space. The summer months typically usher in a slowdown in industrial real estate activity, as well as slower decision-making regarding the commencement of industrial projects. There is the possibility that the slower summer months could retard market demand into the remaining months of the year.

Looking at the broad picture with regard to the industrial real estate market, there are several contradictory factors impacting its overall strength. The predominate belief however, is that modest industrial business growth into late 2004 and 2005 will result in moderate demand for the right industrial space that meets specific business operating needs. In general however, market conditions will likely remain stable throughout 2004.

B. Major Employment Changes & Demand for Industrial Space

It is apparent that, despite trends in outsourcing and productivity, employment remains a large driver concerning the demand for industrial space. Grubb & Ellis, in highlighting some key market trends occurring within the Cleveland industrial market area, noted that several industries (such as Warehousing & Distribution) with regard to employment and space demand remained strong targets in 2003 and could potentially continue their growth throughout 2004. In order to better understand some of the underlying employment-related factors impacting the industrial real estate market in the Painesville area, employment trends were analyzed across industries that would generally utilize industrial space (e.g. manufacturers, warehouse/distributors, etc.) by NIACS code. Although industrial and employment trends were addressed earlier in the study, a sampling of industries was reexamined to highlight the significance of employment within the industrial real estate market.

Based on the data, several of these relevant industries experienced significant employment growth from 2000 to 2002, while other industries actually experienced declines in employment during that time period. Over twenty industrial space-utilizing industries experienced employment increases in Lake County, Ohio from 2000 to 2002. Industries experienced increases in employment ranging from 2.1% growth to 44.7% growth. In 2002, these industries had total employment ranging from 67 individuals to over 8,000 individuals.

For relevant industrial business categories that experienced increases in employment from 2000 to 2002, the Furniture and Related Project Manufacturing industry actually experienced the largest increase. From 2000 to 2002, this industry added approximately 41 jobs to the Lake County economy, representing an employment increase of 43.2% during that time period. In 2002, the Furniture and Related Products Manufacturing industry employed 136 individuals in Lake County. Another industry experiencing a relatively large employment increase was the Warehousing and Storage industry, which added fourteen jobs to the Lake County economy from 2000 to 2002, representing a 26.4% increase. In 2002, the Warehousing and Storage industry employed 67 individuals in Lake County.

From 2000 to 2002, the Truck Transportation industry actually increased employment in Lake County by 30 individuals, representing a 7.5% increase over the two-year period. In 2002, the Truck Transportation industry employed 429 individuals in Lake County. During the same two-year period, the Merchant Wholesalers, Durable Goods industry increased employment in Lake County by 77 individuals, representing a 2.7% increase. In 2002, the Merchant Wholesalers, Durable Goods industry employed 2,925 individuals in Lake County.

Despite the employment increases for several industries from 2000 to 2002, several sectors within Lake County's economy actually experienced declines in employment during this time period. Drops in employment ranged from 6.5% to 40.4%. Interestingly, a significant portion of the employment loss occurred within manufacturing sectors.

For relevant industrial categories that actually experienced decreases in employment from 2000 to 2002, the Computer and Electronic Product Manufacturing industry had the largest drop in employment. From

2000 to 2002, this industry lost approximately 1,124 jobs in Lake County, representing an employment drop of 40.4%. In 2002, the Computer and Electronic Product Manufacturing industry employed 1,656 individuals in Lake County. The Electrical Equipment, Appliance and Component Manufacturing industry also experienced a relatively large employment drop of 36.8% from 2000 to 2002, representing a loss of 641 employees. In 2002, the Electrical Equipment, Appliance and Component Manufacturing industry employed over 1,000 individuals in Lake County.

The Primary Metal Manufacturing industry also experienced a decline in employment from 2000 to 2002. During that time period, the Primary Metal Manufacturing industry lost 374 jobs, representing a 21.2% decline. In 2002, that industry employed 1,390 individuals in Lake County. Similarly, the Fabricated Metal Product Manufacturing industry lost 1,313 jobs in Lake County from 2000 to 2002, representing a 20.1% decline. In 2002, this industry employed 5,209 individuals in Lake County. These four industries experienced the largest employment drops respectively.

Several other relevant industries experienced declines in employment from 2000 to 2002. Employment in the Transportation Equipment Manufacturing and Plastics and Rubber Products Manufacturing industries declined by over 6.5%, representing a combined job loss of 247 positions in Lake County. These two industries employed over 3,400 individuals combined in 2002. Lastly, Machinery Manufacturing experienced a drop in employment from 2000 to 2002. During that time, over 500 jobs were lost, representing a 13.7% decline in employment for that industry. In 2002, over 3,200 individuals were employed in the Machinery Manufacturing industry in Lake County.

C. Vacancy Rates

The market for industrial space in the greater Cleveland market area experienced increased activity in the first half of 2004, with more stabilized activity anticipated for the later half of this year. The industrial vacancy rate for the second quarter of 2004 in the Cleveland industrial market area (including the western Lake County sub-market) reflected higher real estate sales and leasing activity. The vacancy rate for this area was approximately 10.1%, representing a decline from the 10.3% vacancy rate produced in the first quarter of 2004. In terms of building size, industrial facilities of 60,000-100,000 square feet experienced the highest overall vacancy rate of 14.2%, followed by buildings 40,000-60,000 square feet in size, which had a vacancy rate of 12.5%. Interestingly, buildings 10,000-40,000 square feet in size experienced the lowest vacancy rates, which were under 8.5%. Also, buildings exceeding 250,000 square feet had a second quarter vacancy rate of 8.5%.

Cleveland Market Area Vacancy Breakdown (Q2 - 2004)

Building Size	Rentable Square Footage	Vacancy Rate
10,000 - 20,000	19,853,317	5.7%
20,000 - 40,000	38,535,214	8.1%
40,000 - 60,000	31,198,152	12.5%
60,000 - 100,000	35,207,773	14.2%
100,000 - 250,000	63,755,533	11.6%
250,000 +	96,569,642	8.5%
Total	**285,119,631**	**10.1%**

Availability Breakdown (Q2 - 2004)

Market Area	Size Rank	Availability Percentage
Cincinnati	13	11.0%
Cleveland	10	11.0%
Columbus	15	11.9%
Toledo	31	13.8%
National Avg.	-	11.3%

Similarly, the second quarter vacancy rate for the western Lake County sub-market area was slightly higher at 10.4%, although this vacancy rate declined significantly from its first quarter level of 11.7%. Consistent with the decline in the vacancy rate, while total rentable industrial space in Western Lake County increased to over 26.5 million square feet, space leased/sold increased by 600,000 square feet from the first quarter.

Concerning available industrial space located within the Cleveland market area, the CB Richard Ellis Industrial Availability Index for the second quarter of 2004 ranked Cleveland at #10 out of 46 major national market areas. The index is a measure of availability that is calculated as the total supply of large available industrial space as a percentage of the total supply of industrial space for a market area. For the second quarter of 2004, the Cleveland market area had an availability percentage of 11.0%, compared with the national average of 11.3%. The second quarter availability percentage for the Cleveland market area was higher than the 2003 fourth quarter level of 10.3%, in addition to the second quarter 2003 level of 9.4%. The availability percentage for the Cleveland market area was also lower than the levels for both the Columbus and Toledo market areas, but equal to the availability percentage for the Cincinnati market area.

According to 2003 annual industrial market data released by Colliers International, vacancy rates are expected to remain relatively stable (hovering around 10.3%) throughout 2004. Based on the 2003 data provided, industrial vacancy varied significantly throughout the different market areas of Ohio. The largest areas of industrial vacancy include the East Cleveland (18.0%), Summit County (17.0%) and I-271 Corridor (15.0%) market areas. According to the data, approximately 11.0% of vacant industrial space is located within Lake County.

D. Industrial Property Inventory

In late July 2004, Camoin Associates conducted an inventory of industrial properties located within the City of Painesville. The inventory captured over 1.7 million square feet of industrial space and over 45 acres of industrial land located within the city limits. Existing industrial properties were categorized by manufacturing, warehouse/distribution, industrial R&D and other uses. In addition, features such as utility infrastructure and proximity to transportation connections were measured in order to better understand the marketable characteristics of industrial space.

Painesville Industrial Space Inventory		
Building Size	Vacant Square Feet	% of Total Vacant Space
0 - 10,000	50,025	18.37%
10,000 - 20,000	25,500	9.37%
20,000 - 40,000	12,500	4.59%
40,000 - 60,000	109,400	40.18%
60,000 - 100,000	62,500	22.95%
100,000 - 250,000	12,360	4.54%
Total	**272,285**	**100.00%**

Of the over 1.7 million square feet of industrial space inventoried, approximately 1.5 million square feet of it is currently being utilized. Roughly 270,000 square feet of existing industrial space is not being used at the present time, representing a 15.4% vacancy rate for the City's industrial buildings. Of this space, approximately 72.5% is used as manufacturing space, while 23.8% is designated as warehouse/distribution space. The remainder of the space is designated for mixed use and industrial related office uses, while no space captured in the inventory is currently being used for industrial R&D purposes.

Based on the inventory data, the largest segment (40.2%) of underutilized space is located within existing facilities between 40,000–60,000 square feet in size. Approximately 23.0% of underutilized space is located within buildings between 60,000 – 100,000 square feet, followed by 18.4% of vacant space located within facilities under 10,000 square feet in size. Only 4.5% of available space is located within facilities greater than 100,000 square feet, while only13.9% of available space is located in buildings between 10,000 – 40,000 square feet in size.

According to the data collected, over 42 acres of industrial land were captured in the inventory. Of that acreage, roughly 24 acres are fully utilized. Approximately fourteen acres are currently not utilized, indicating an estimated vacancy rate of 31.0% for the City's existing industrial acreage. Indicators of industrial acreage availability are addressed in section E that addresses the regional industrial park inventory.

E. Regional Industrial Properties

In order to gauge the overall characteristics and amenities offered by regional industrial properties, a sampling of fifteen industrial parks along the I-90 corridor from Cleveland, Ohio to Erie, Pennsylvania was collected. The analysis examined available space, purchase prices, availability of utilities, proximity to transportation connections and the availability of economic incentives. This portion of the analysis focused exclusively on available acreage located within these parks, therefore purchase prices rather than lease rates for existing buildings were highlighted. Lease rates for industrial buildings are examined elsewhere through an analysis of over 100 industrial properties located within and outside of industrial parks in Lake County. The lease rate findings from this analysis are summarized in section G below.

The industrial parks in the sampling represented over 975 acres of total industrial property, with an average size of 70 acres per industrial park. The industrial parks ranged in total size from approximately eleven to 400 acres. Of that space, over 625 acres are currently available, representing an average offering of 45 available acres per industrial park. Available acreage ranged from three to 250 acres per industrial park. At the beginning of the third quarter 2004, approximately 41.0% of the total acreage contained within the sampling of industrial parks was utilized. Utilization rates ranged from 0 to 100% depending on the location. Based on the sampling, the majority of industrial parks offered acreage at a minimum of two to three acre parcels to accommodate smaller users. Industrial parcels under one acre in size were virtually unavailable. Although several of the parks featured available industrial building space, the vast majority of availability represented vacant land.

I-90 Corridor Industrial Park Profile	
Avg. Total Acreage Per Park	70 acres
Avg. Acreage Available Per Park	45 acres
Average Minimum Acreage Avail.	2.5 acres
Average Occupancy Rate	41%
Average Distance to Airport	10 miles
Average Distance to Interstate	3 miles
Municipal Water & Sewer Access	Yes
Electric and Gas Access	Yes
Telephone Service Access	Yes

Most of the industrial parks reviewed offer relatively convenient access to regional transportation connections. The parks were located an average of ten miles from the nearest airport. Several industrial parks were located immediately adjacent to local airports, while a few parks were located as far away as 25 miles from the nearest commercial and general aviation airports. The industrial parks, on average, were located approximately three miles from the nearest interstate highway. While some parks were located immediately off of an interstate exit, several were located as far away as eight miles from the nearest interstate. Despite the relatively close proximity of sites to both interstate highways and airports, only 20.0% of industrial parks included in the sampling offered access to railroad siding or railroad spurs.

Over 90.0% of the industrial parks sampled offered access to municipal water and sewer service. All industrial parks had either on-site access or adjacent access to all electric, gas and telephone infrastructure. Over 75.0% of industrial parks included in the sampling offer some form of economic incentive at the local level. Additionally, over half of the industrial parks were situated in an economic development zone, such as a Keystone Opportunity Zone or Enterprise Zone. Approximately two-thirds of the parks offered access to local economic development incentives including low-interest financing and tax incentives.

Based on these characteristics, in order for industrial property to be remain competitive with other regional offerings, it should offer a user not only access to interstate highway and airport connections within ten miles, but also utility infrastructure on-site (including high speed telecommunications to facilitate the enhanced communication and data exchange required under more efficient operations) and a competitive offering of economic incentives tailored to specific business needs and plans.

F. Industrial Business Inventory

A list of approximately 65 industrial businesses located within the city limits was provided by the City of Painesville. This list was reformatted to include the industrial classification of each industrial business using NAICS Codes. In terms of composition, approximately 35.0% of the industrial businesses represented miscellaneous manufacturers. These miscellaneous manufacturers are discussed in greater detail below. Approximately 27.0% of the industrial businesses located in the City are fabricated metal products manufacturers, while 16.0% represent plastics and rubber products producers and electrical equipment and component manufacturers. Approximately 5.0% of the City's industrial businesses are transportation equipment producers, while roughly 6.0% of industrial businesses are found in the food production and printing industries.

Painesville Industrial Business Breakdown	
Misc. Manufacturing	35%
Fabricated Metal Products	27%
Plastics & Rubber Products	8%
Electrical Equip. & Components	8%
Transportation Equip.	5%
Printing & Related Support Activities	3%
Food Production	3%
Wood Products	2%
Merchant Wholesalers, Durable Goods	2%
Machinery	2%
Computer & Electronic Products	2%
Chemicals	2%
Apparel	2%

Several smaller industrial sub-areas comprise the NAICS Miscellaneous Manufacturing category, which accounts for over one-third of the City's industrial businesses. Given that the businesses comprising this category represent a significant portion of City's total industrial base, a further breakdown and analysis was warranted. Of the roughly 25 businesses that make up the NAICS Miscellaneous Manufacturing category, 59.0% represent industrial businesses that offer machining processes. Approximately 27.0% are manufacturers of glass products, industrial gauges and manufacturing maintenance operations. Approximately 10.0% of these firms are engaged in lighting and valve production.

Breakdown of Misc Manufacturing Businesses	
Machining Processes	59%
Manufacturing Maintenance	9%
Glass Manufacturing	9%
Gauge Production	9%
Valve Production	5%
Lighting Production	5%
Equipment Sales & Production	5%

These businesses were subject to further analysis through the administration of an industrial business survey. The survey was intended to further examine the current and future demand for industrial space that exist in the local industrial real estate market.

G. Business Survey Results

In July 2004, Camoin Associates conducted a survey of approximately 65 industrial businesses located within the City of Painesville. Based on the response rate of 32.0%, Camoin Associates was able to ascertain the business expansion and space needs of approximately 21 of the City's industrial businesses.

Surveys were provided to key contacts within the respective businesses based on the list of industrial businesses provided by the City.

The respondent businesses have average employment of roughly 44 individuals, with a range of two to 152 total employees. These businesses currently operate in over 975,000 square feet of industrial space located within the City, with individual space usage ranging from 2,000 to 150,000 square feet and average space usage of 46,557 square feet.

Current Space Conditions of Painesville's Industrial Businesses	
Space is underutilized and will remain so into foreseeable future	5%
Space is underutilized, but will become utilized w/in 6-18 mos	0%
Space is adequate and will remain so into foreseeable future	52%
Space is adequate, but will not be sufficient w/in 6-18 mos	19%
Space is overutilized and will remain so into foreseeable future	19%
Space is overutilized, but will become less constrained w/in 6-18 mos	5%

Based on the survey results, approximately 5.0% of the industrial business respondents stated that their current space is underutilized and that these conditions are likely to persist into the foreseeable future. None of the respondents stated that their current space is underutilized, but will become fully utilized within 6-18 months. Of the respondents, 52.0% stated that their current space is adequate and will likely remain so into the foreseeable future. Approximately 19.0% recognized that their current space is adequate, but expect that it will not be sufficient within 6-18 months. Roughly 19.0% of industrial business respondents stated that their current space is overutilized and will likely remain so into the foreseeable future. Lastly, 5.0% of the respondents stated that their current space is overutilized, but operations will likely become less constrained in the next 6-18 months, possibly due to plant expansion or other factors.

Potential Industrial Expansions	
Time Frame	**Additional Sq. Ft.**
Within 6 months	5,100
6-12 months	34,000
12-18 months	2,800
18-24 months	61,000
Total	**102,900**

In refining the assessment of local demand for industrial space, all survey respondents were asked if they anticipated a physical expansion or relocation within the future. Approximately 43.0% of respondents anticipated an expansion. Respondents indicated that all of these expansions would occur within the City of Painesville. For the purposes of understanding the demand side of the industrial marketplace, the characteristics of these businesses that anticipated expansions were further examined.

With regard to the composition of industrial respondents who stated that an expansion might be likely, 44.0% represented industries involving metals relating processes such as forming, rolling, and extrusion, while 33.0% represented fairly typical manufacturing industries including electronics/wire assembly, plastics and parts manufacturing. The remainder represented highly specialized industries such as beef jerky and fused quartz processing. The average employment of these respondents was approximately 28 individuals, while their space usage ranged from 3,000 to 100,000 square feet, with average usage of 29,552 square feet and total current industrial space usage of 265,700 square feet. Most of the respondents stated that business/sales growth was the reason for the possible expansion, while only one respondent cited switching purchase/lease options as the primary reason for expansion/relocation.

The total projected square footage requirements resulting from the potential expansions discussed above would be approximately 102,900 square feet, with an average of 11,433 square feet per industrial business. The additional square footage cited by respondents ranged from 1,500 to 40,000 square feet. In terms of total square footage that would be demanded by these industrial business expansions, 65.0% would be in metal processing industries, while 19.0% would be in parts manufacturing industries and 16.0% would occur within industries such as plastics and food processing.

Based on the survey results, these projects could ultimately result in the creation of 35 full-time and 13 part-time jobs, with average job creation of five full-time and approximately two part-time jobs per business/project. The majority of this space would be manufacturing space (78.0%), while the remainder would be warehouse/distribution (3.0%) and mixed use (19.0%). Approximately 11.0% of respondents interested in pursuing a future expansion stated that they are interested in leasing this new space, while 89.0% would be interested in the purchasing the new space.

H. Lease Rates

In line with the slightly higher demand for industrial space experienced in the second quarter of 2004, the annual average lease rate in the Cleveland industrial market area increased to $4.05 per square foot, from $3.91 per square foot. In the western Lake County sub-market, the average annual lease rate for the second quarter was $3.58 per square foot. This was up from the first quarter lease rate for industrial space of $3.53 per square foot. The increase in lease rate reflects increased industrial sales/lease activity of 765,202 square feet in the second quarter.

Cleveland Market Area Lease Rates (Q2 - 2004)		
Building Size	Rentable Square Footage	Avg. Annual Lease Rate / Sq. Ft.
10,000 - 20,000	19,853,317	$5.19
20,000 - 40,000	38,535,214	$5.26
40,000 - 60,000	31,198,152	$5.53
60,000 - 100,000	35,207,773	$4.70
100,000 - 250,000	63,755,533	$3.69
250,000 +	96,569,642	$2.85
Total	**285,119,631**	**$4.05**

According to the market data, the highest average annual lease rates for the Cleveland industrial market area were for buildings under 60,000 square feet in size. For example, the highest average annual lease rate ($5.53) was recorded for buildings 40,000-60,000 square feet in size, followed by 20,000-40,000 square foot facilities ($5.26/square feet) and 10,000-20,000 square feet ($5.19/square feet). Buildings 250,000 square feet and up experienced the lowest overall annual lease rate of $2.85/square feet. The direct relationship between lease rate and demand (by building size) was confirmed statistically using a correlation analysis which revealed a strong correlation (.94) between demand and lease rate.

Based on the sampling of fifteen industrial parks located along the I-90 corridor between Cleveland, Ohio and Erie, Pennsylvania there exists some flexibility with regard to lease rates for industrial space located in a park setting. Lease rates in some of the industrial parks sampled were as low as $1.00 to $3.00 per square foot, and in some cases exceeded $7.50 per square foot for newer space. The majority of industrial space located within the sampled industrial parks was in the form of vacant land that is generally made available via purchase. Of the sampled industrial parks, the purchase price per acre ranged from approximately $15,000/ acre to $125,000 per acre. The average purchase price per acre was approximately $57,000.

Industrial Lease Rates in Lake County				
Area	**Average**		**Range**	
All Buildings	$	4.22	$	2.25 - 7.75
Eastlake	$	4.36	$	3.50 - 5.50
Mentor	$	4.23	$	2.25 - 7.75
Painesville	$	3.96	$	3.25 - 4.38
Perry	$	5.50	$	5.00 - 6.00
Wickliffe	$	3.32	$	2.75 - 4.25
Willoughby	$	4.50	$	3.75 - 5.25

Based on the analysis of over 100 available industrial buildings located in Lake County (eastern and western), the average lease rate was found to be roughly $4.22 per square foot, with a range of $2.25 - $7.75 per square foot in select areas containing a significant inventory of industrial property, including Eastlake, Mentor, Painesville, Perry, Wickliffe and Willoughby. For available industrial buildings located in the City of Painesville, the average lease rate was calculated at $3.96 per square foot, which was slightly lower than the average for Eastlake, Mentor and Willoughby. The lowest average lease rate of $3.32 per square foot was found in the Wickliffe, while the highest rate of $5.50 per square foot was found in Perry.

Market data released by Colliers International indicate that lease rates in the Cleveland industrial market area are expected to remain relatively stable throughout 2004. Certain indicators point in the direction of increased demand for industrial space stemming from modest business growth, whereas others indicate that businesses may be hesitant to demand additional space due to cost and efficiency motives.

I. Conclusions & Highlights

In assessing the overall characteristics of the industrial real estate market, the fundamental driver of industrial space demand and new industrial space construction and renovation is, unsurprisingly, business growth.

As the domestic manufacturing sector continues to shrink, while at the same time fluctuating with the general movement of the macroeconomy, producers are forced to evolve in order to maintain their competitive advantages within the marketplace. As this evolution entails leaner production systems and organizational structures, the Just-In-Time delivery of resources, real time communication of information, integration of core business functions and the identification of smaller and more specialized market niches, the resulting physical space requirements are forced to change as well.

Based on the general characteristics of the marketplace, the industrial real estate market moving into late 2004 is likely to remain relatively stable in terms of vacancy and lease rates. At the local level, based on the inventory of the City's industrial space conducted in the summer of 2004, only 13.90% of available space is located in buildings between 10,000 – 40,000 square feet in size. Additionally, industrial business survey results indicate that the average business expansion for respondents that project growth into the next 24 months is approximately 11,400 square feet. Currently, these industrial businesses utilize an average of approximately 29,500 square feet. These findings reinforce current demand trends leaning toward the utilization of space under 40,000 square feet.

Concerning the supply of industrial space available to businesses, increased activity in new build-to-suit construction mirrors the aforementioned demand related phenomena. In 2004, over 3 million square feet of new industrial space is expected to come online in the Cleveland market area. In addition, over 600 acres of industrial acreage, located within I-90 corridor industrial parks, is currently available. Current estimates for Lake County indicate that total rentable industrial space exceeds 26 million square feet. In addition, based on the industrial space inventory, approximately 270,000 square feet of industrial space is underutilized within the City of Painesville. In terms of access to transportation connections and utilities, there is minimal variability in the offerings of industrial properties on a city, county and regional level. On a regional basis, there appears to be no shortage of available industrial properties with comparable amenities to accommodate small-to mid sized businesses based on the market data.

In light of the aforementioned market factors, the following conclusions can be drawn:

- Demand is stronger for smaller operating space that offers the flexibility for the expansion and contraction of business operations. This is substantiated by market data that reveal relatively low vacancy rates in buildings under 40,000 square feet.

- Lackluster economic conditions have limited the number of industries that are experiencing relatively high growth. Despite this, market projections indicate that some industries, such as Warehousing & Distribution, may sustain higher employment and space demand throughout 2004. The latter point is supported by second quarter 2004 data indicating a decline in the vacancy rate in western Lake County from the first quarter.

- The current economic conditions also make it difficult to generalize that one particular industry is strong and therefore is an attractive target in terms of potential space utilization. On a macro level, an industry such as metals is declining in terms of employment, but locally, some select and specialized metals manufacturers that serve favorable niche markets could be in a business expansion mode despite the macro level conditions.

- Industrial lease rates are expected to remain relatively stable throughout 2004 given the limited decline in industrial vacancy. Lease rates average approximately $4.05 per square foot for the entire Cleveland market area and approximately $4.22 per square foot in Lake County, including western and eastern Lake County.

- Several data indicate that the regional supply of industrial space is likely to exceed demand into the future. Based on the local data collected, existing available space within the City of Painesville exceeds the current expansion related demand of its businesses. Additionally, there is an abundance of available acreage located within regional industrial parks that offer parcels that could accommodate the leaner physical operations that are preferred in the current marketplace.

5 LakeEast Hospital Relocation Economic and Fiscal Impact Analysis

A. Summary

Camoin Associates (CA) was commissioned by the City of Painesville to determine the economic and fiscal impact of the relocation of the LakeEast hospital facility (Hospital) from the City to a new site in the neighboring Concord Township. The analysis relied on City budget information, as well as data provided by the Hospital on its operational costs. Demographic and economic data was also obtained from various federal, state and proprietary sources.

The first phase of the analysis involved calculating the effects of the Hospital's jobs on the local economy. This included employment provided directly by the hospital as well as employment supported indirectly through the Hospital's local purchases and Hospital employee expenditures within the City. In addition, spending by Hospital visitors was also examined.

Based on CA's analysis, the Hospital's anticipated move may result in a loss of 1,076 jobs; $26,577,936 in wages and $121,931,004 in output, or annual expenditures, in the City's economy. Of the 1,076 jobs lost, 816 will be directly from the hospital itself while the remaining 260 may be experienced by the Real Estate, Restaurant, Employment Services, Commodity Contracts, Services to Buildings and Legal Services industries.

During the second phase of the study, CA modeled the impact of the Hospital's move on the City's fiscal resources. This was determined by calculating the City's revenues and expenses from the operations of the Hospital itself, as well as the indirect effects mentioned above (Hospital purchases and employee spending). This included all revenues from income and property taxes, fees, fines, utility-related income and other items. The expenses included the cost of providing services (public safety, utilities, general government, etc.) to the Hospital and resident employees.

Based on the findings, the Hospital currently provides a net income to the City of $268,851 ($1,867,996 in revenues and $1,599,145 in expenses). Since 816 of the current 941 hospital jobs will be relocated (86.7%), CA expects that the City of Painesville will have a long-run annual net loss of $233,093.

However, in the short run, the annual loss will likely be much higher until the City can adjust its spending and infrastructure capacity costs to account for the reduced demand by the Hospital for services or until other businesses and residents replace that lost demand. Until these changes can be made, the short-run loss is estimated to be $551,113. As the city makes those changes, the loss will gradually diminish to the long-run net annual loss of $233,093.

The methodology and assumptions used in both analyses can be found in the following report as well as a detailed list of impacts and explanations.

B. Overview

Camoin Associates (CA) was commissioned by the City of Painesville to determine the economic and fiscal impact of the relocation of the LakeEast hospital facility[1] (Hospital) from its current City facility to a new site located 5 miles to the south in the Concord Township. CA utilized the IMPLAN economic modeling software program to determine how the relocation will affect private sector employment, sales and earnings within the local economy as a whole. Once this economic impact was assessed, the impact of the relocation on the City's financial resources was determined by using the fiscal impact software program LOCI to gauge total changes to revenues and expenditures in the City. A brief description of both IMPLAN and LOCI can be found below:

> IMPLAN is an economic impact assessment system that allows users to easily build models to estimate the impacts of economic changes in their communities. It uses input-output accounting to estimate the total changes to employment and sales that are attributable to a given project, event or business.[2]
>
> LOCI is a fiscal impact modeling software package that enables the user to estimate the impact a project, event or business will have on a local government's finances. It uses a wide array of demographic, economic and industry data to gauge the resulting changes to the government's revenue and expenditure streams. LOCI arrives at these impacts by modeling related changes in employment, wage income, retail expenditures, business formation, household formation, change to demand for government services and changes to taxes, fees, fines and miscellaneous governmental income.[3]

The data necessary to conduct both the economic and fiscal impact analyses came from three sources:

- LakeEast Hospital provided information pertaining to its current output (revenues), employment, payroll, purchases made within the City, the number of patient visits per year and duration, and statistics on the percentage of its employees currently residing within the City and/or Lake County. CA assumed that all data supplied by the hospital was accurate and did not conduct an independent study to verify the validity of this data.

- Second, the City of Painesville supplied data on the City's annual revenue and expenses, utility-related data, property assessments, income tax revenue, population, total city wages and employment and total number of households in the city. The City also provided an estimate of the number of employees that will remain at the current Painesville facility when LakeEast moves to its new location outside the city, based on current knowledge of the Hospital's intended future operations.

- Third, CA collected data from multiple sources regarding the region's economy. This included proprietary data sets published by IMPLAN specific to the composition and distribution of

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[1] This impact study only covers Hospital employment at the LakeEast facility, and it only considers the portion of that facility's employees and those service departments that are leaving the City for relocation to the Township of Concord.

[2] Input-output accounting describes commodity flows from producers to intermediate and final consumers. Industries produce goods and services for final demand, the "Direct" effects on the economy; they purchase goods and services from other producers, causing the "Indirect" effects on the economy; and they also pay wages to employees who spend their earnings in the economy, the "Induced" economic effects. The total of these various effects produces a set of multipliers that describe the change of output for each regional industry caused by a one-dollar change in final demand. The multipliers used for this analysis are specific to the region defined by the ZIP code of Painesville. IMPLAN was originally developed by the University of Minnesota, is now operated by MIG, Inc. and is used extensively throughout the country to compare and contrast various development projects and to understand the regions specificities of certain industries.

[3] LOCI is a product of Georgia Tech's Economic Development Institute as is widely recognized as the most comprehensive fiscal impact modeling system available. Unlike traditional economic impact modeling, LOCI gauges both revenues and costs and deals with the effects on a governmental entity, not on the economy.

businesses found in the zip code of the City. Also included were data provided by LOCI as to regional and state-specific household composition, industry-average value added per dollar of revenue and revenue per employee.

The data collected, methodology and assumptions used to conduct the analyses are summarized below.

C. Methodology

Determining the fiscal impact a project will have on a taxing jurisdiction's financial resources requires a two-phased analysis. In the case of the subject project, the first phase involved an economic impact analysis of the LakeEast hospital's operations on the City of Painesville's economy in terms of employment, earnings and output. This impact was assessed by running an IMPLAN analysis using two sets of inputs:

- LakeEast Hospital's reported employment, wages and sales.
- The estimated retail, restaurant and other spending of hospital-related visitors (friends and family visiting patients) and their effects on employment, wages and sales in the area.

The IMPLAN analysis used these figures (the "Direct" effects of the hospital) to calculate the indirect and induced effects of the hospital's operations on the local economy. "Indirect Effects" are those effects caused by the purchases made by the hospital in the local economy, raising demand for local services and goods. "Induced Effects" are those effects caused by hospital workers receiving and spending their wages in the local economy.

The sum of the direct, indirect and induced effects comprises the total impact of LakeEast Hospital on the City's economy. However, the City expects that a certain proportion of employees will remain at the Painesville facility after the hospital's move. LakeEast reported 941 jobs currently at the facility and the City anticipates a residual workforce of 125 positions. Thus the proportion of jobs leaving the City is estimated at 86.7% (816 divided by 941).

To calculate the total net effect of the Hospital move, CA took the total economic impact figures and multiplied them by 86.7%. CA then applied these net impacts to the IMPLAN model to determine the job loss within 20 Painesville business categories most likely to be affected by the relocation. Tables illustrating the impact can be found in the section titled "Results".

Phase two of the analysis then required calculating the effect of the Hospital's move on the fiscal resources of the City of Painesville. CA considered the hospital's current contribution to City revenues, the cost of providing services to the Hospital, and the visitor-related expenses and revenues. These figures were imputed into LOCI as the basis for the analysis.

D. Results of Economic Impact Study

To assess the direct impact of the Hospital, CA used the employment, salaries and sales reported by the Hospital for 2003 (see table below). The Hospital also reported 5,688 in-patient visits during that year with an average length of stay of 4.28 days. CA assumed that the average in-patient/day would generate $3 in spending on "Retail" purchases (gifts, cards, gas, food) and $7 on "Restaurant" purchases, by visiting family members and friends.[4] CA tried only to capture those expenditures the "typical" patient-visitor would spend <u>in Painesville</u> and <u>related</u> to their visit. While some patient-visitor groups may spend significantly more on a daily basis, others who reside near the hospital would be expected to spend

[4] In hospital impact studies performed on comparable facilities, the estimated "basket" of goods per patient-day has normally been estimated significantly higher than the $10 dollar figure provided for LakeEast. However, the situation in the City provides some unique circumstances: lack of lodging in the City itself, proximity of the new location of the Hospital and the relatively few retail establishments in direct proximity of the Hospital. Additionally, the survey of retail businesses in downtown Painesville returned results that suggest that Hospital-related sales are only a small factor in the retail business of the City.

less. CA also did not assume any expenditure for hotels, because the vast majority of visitors do not require overnight accommodations and few lodging establishments exist in the City. CA also excluded any purchases related to the visit that would have been spent outside the City (transport, etc.)

It was assumed that the average patient-day would generate one or more visitors (family/friends) in relation to visiting the patient or with transportation of the patient to and from the Hospital; and that a portion of those would entail restaurant sales. Given the spending on retail and restaurant purchases, CA used IMPLAN to calculate associated employment and wages for those sectors in the City, as shown below

Direct Effects of the Hospital on the Local Economy			
Description	Employment	Wages	Output
Hospital	941	$22,800,000	$118,500,000
Retail	2	$25,435	$73,034
Recreation (inc. restaurants)	5	$67,133	$170,412
Total Direct Effects[5]	947	$22,892,569	$118,743,446

The vast majority of direct economic impacts on the Painesville economy come from the operations of the hospital itself, which employs 941 people, pays $22.8 million in wages and has sales totaling $118.5 million. Demand derived from visitors to the hospital spending money in local establishments creates approximately 7 jobs, $92,000 in wages and $240,000 in sales (output) in the local economy. Total direct effects are 947 jobs, $22,892,569 in wages and $118,743,446 in sales.

Direct, Indirect & Induced Impact of the Hospital on the Local Economy						
Description	Direct	Indirect	Induced	Total	Loss	Potential Net Loss
Employment	947	440	147	1,534	86.7%	1,331
Wages	$22,892,569	$12,064,296	$3,460,684	$38,417,549	86.7%	$33,308,014
Output	$118,743,446	$31,967,599	$11,816,567	$162,527,611	86.7%	$140,911,438

The direct effects were then used to calculate the indirect, induced and total economic impacts of the Hospital's operations, as defined below:

- Indirect Impacts – the effects of purchases made by the Hospital in the local economy (goods and services purchased from local sources) and any secondary effects of those purchases (Hospital suppliers buying inputs from other local sources). For instance, the Hospital may require certain goods and services (food, laundry, utilities, renovations, etc) that it purchases in the local economy. The purchases raise demand for those specific goods and services, which causes those industries to respond by increasing their sales and employment. In this case, the operations of the hospital push demand in the local economy up enough to increase related employment by 440 jobs.

- Induced Effects – the effects of purchases made by employees of the Hospital spending their wages in the local economy (on housing, food, retail, etc.). Like "Indirect Effects", this spending raises demand in certain industries (residential construction, agriculture, legal and medical services, etc).

- Total Effects – the sum of direct, indirect and induced effects.

[5] Please note that the employment and wages column do not total exactly, due to rounding of employment and dollars earned to the nearest integer for individual sectors. The column total takes into account fractions of jobs and fractions of dollars in each sector.

- Potential Net Loss – The City anticipates that the Hospital will retain 125 employees in the current Painesville facility, or 13.3% of the current employment. Therefore, the economic impact of the relocation will be 86.7% of the total current effect on employment, wages and output, as shown in the table above.

The results initially show the Hospital supports 1,331 jobs, $33,308,014 in wages and $140,911,438 in output. However, given the proximity of the new hospital site, it is reasonable to assume that some of the indirect and induced effects of the Hospital's operations will remain within the bounds of the City of Painesville. Therefore, CA reduced the indirect and induced multiplier effects by 50%[6] to account for the fact that only some of the Hospital's purchases and only a portion of the induced spending will shift out of the City's economy; shown in the table below.

Expected Net Loss				
Description	Direct Loss	Indirect Loss	Induced Loss	**Expected Net Loss**
Employment	821	191	64	**1,076**
Wages	$19,847,857	$5,229,872	$1,500,207	**$26,577,936**
Output	$102,950,568	$13,857,954	$5,122,482	**$121,931,004**

Therefore, the predicted net loss to the economy of the City is approximately 1,076 jobs, $26,577,936 in wages and $121,931,004 in total output.

The table to the right illustrates the industries and number of jobs that are supported by the Hospital's operations. For example, the model estimates that the Hospital's total economic impact generates demand for roughly 26 "legal services" jobs (lawyers, paralegals and legal secretaries.) The Hospital may itself require legal services, the businesses that serve the Hospital require legal representation and the Hospital employees also purchase legal services. Therefore, it can be said that the Hospital's operations result in the creation of 26 jobs in the legal services sector.

Industries Affected by the Move	
Industry	Jobs Supported by Hospital
Real estate	55.7
Food services and drinking places	55.1
Employment services	45.9
Securities and commodity contracts	33.3
Services to buildings and dwellings	28.5
Legal services	25.8
Postal service	16.3
Business support services	15.3
Management consulting services	12.6
Food and beverage stores	12.2

It is important to understand that these are the jobs <u>currently</u> supported by the Hospital's operations, its spending in the local economy and the spending of its employees. It must be recognized that the spending patterns of the Hospital and its employees will like change over a period of many years[7] and that some of this employment may never migrate with the departing Hospital operations. The extent of the loss in each sector will depend on the type of job in question. For example, "Management Consulting Services" jobs and "Legal Services" jobs are less likely to move, as they are less sensitive to conducting business at a distance (given the Hospital will remain within four miles of its current location, the distance factor is not substantial), while "Services to buildings and dwellings" will likely migrate with the Hospital and its

[6] The percentage reduction of the multipliers used (50%) was estimated based on discussions with the City's economic development staff, from the results of the retail survey and from the estimates provided by the Hospital as to the amount of purchases it makes within the City.

[7] A job migration timing study was not contemplated in the scope of the fiscal impact study. However, there is a growing body of evidence (using surveys of job migration and linear regression) that the typical job migration timeline is approximately three years. This can be interpreted to mean that, as business feel demand increasing or decreasing and make changes to employment; and as employees shift jobs and residency; the majority of the migration occurs within a three-year time frame. Once again, given the proximity of the Hospital's new location, this timeline will likely be longer since the incentive to move is less apparent than in the typical example.

employment since they typical do site-specific travel to perform their services. This table only seeks to convey what industries are most affected by the Hospital (and related spending) and where the potential job losses in Painesville may occur.

E. Results of Fiscal Impact Study

CA used the LOCI fiscal impact software to model the effect the Hospital's move will have on the City's fiscal resources. This software package uses current revenue and expenses data as well as a host of demographic and economic data specific to the City and compares it with the profile of the Hospital's employment, purchases and operations. It also uses information on household creation and composition, residency data, regional unemployment and other inputs to calculate the governmental income and expenditures associated with the Hospital and with the indirect and induced effects of the Hospital's operations. As with the economic impact analysis, CA reduced the projected multiplier impacts associated with the Hospital relocation by 50% to account for the fact that the new hospital site is located in relatively close proximity to the City and may continue to have a positive impact on the local economy.

The results of the model can be found below in summary format. The complete impact results as well as the assumptions used in the analysis can be found in *Section G – Assumptions & Tables.*

Summary - Annual Fiscal Impact of the Hospital on Painesville

BENEFITS		**COSTS**	
Property Taxes	$ 25,934	General Government	$ 49,076
Water Revenues	$ 127,503	Water Costs	$ 153,355
Wastewater Revenues	$ 123,618	Wastewater Costs	$ 121,675
Electric Power Revenues	$ 832,211	Electric Power Production	$ 1,061,880
Liquor License Revenues	$ 198	Fee Services	$ 27,047
Income Tax Revenues	$ 664,294	Recreation/Libraries	$ 21,788
Revenues from Fines	$ 12,038	Social Welfare	$ 1,994
Revenues from Permits	$ 2,682	Public Safety	$ 135,204
Miscellaneous	$ 76,630	Public Works	$ 27,126
TOTAL BENEFITS	$ 1,867,996	TOTAL COSTS	$ 1,599,145
Net Contribution to City Finances	$ 268,851		
Percent of Operations Leaving	86.7%		
Expected Net Loss to City	**$ 233,093**		
Total City General Fund Revenues	$ 12,375,812		
Percent of General Fund Revenues	1.88%		

Each of the items on the table represents the total benefit or cost associated with the Hospital's operations for that particular category. For instance, the first line under Benefits is "Property Taxes" which is listed at $25,934. The Hospital itself does not pay any property taxes, but the estimated property tax revenue realized by the City from Hospital employees paying residential property taxes is $20,085 (the remainder is revenue due to the multiplier effects on commercial and residential property taxes). Likewise, "Water Costs" under the Costs column represents the combined total costs of providing water to the Hospital, to commercial properties that provide services to the Hospital and to households associated with the Hospital. This calculation is based on the average cost of producing a gallon of water[8], the number of

[8] Based on the 2003 utility budget for the City.

gallons of water consumed by the hospital, the average consumption of water by commercial establishments, the average household water consumption and the number of employees of the Hospital who are residents of the City (and thus consumers of the City's water.)[9] All of this information, broken out into extensive sub-item detail, can be found in the table labeled *LOCI Analysis – All Details* found on page 5-15.

As shown in the table, the total net positive effect of the Hospital on the City's finances is $268,851 per year when all revenues and costs are considered. Because 86.7% of the Hospital's jobs are expected to leave the City, CA would expect that the net fiscal impact would be a loss of $233,093.

Simply said, the portion of the Hospital leaving the City currently provides $233,093 more in revenues to the City than it costs the City in expenses. Until now, the City has been able to pass this net revenue on to its residents by "charging" them (in taxes, fees, etc.) less for services per household than it than it actual costs to produce them. This means that the City should expect that, all other things constant, it will have to either reduce services by this amount, increase taxes, or a combination of both to make up for the loss of the Hospital.

It should be noted that this is the long-term net fiscal loss. In the short term, it is expected that most of the revenues provided to the City by the Hospital (in the form of taxes and utility revenues) will evaporate immediately after the move. The costs formerly associated with the Hospital, on the other hand, will diminish more gradually. For instance, the Public Safety cost of $117,221 (the cost of providing Police, Fire and EMT services to the Hospital, employees and associated businesses) will only be reduced as the City's police, fire and EMT resources are readjusted to account for a lessened demand.[10] Likewise, the utility costs for providing water, wastewater and electricity to the Hospital are composed of production and delivery costs. While some of the production costs will disappear immediately with the decreased consumption, delivery costs will only gradually decrease as the City makes changes to its infrastructure resources or new demand on the delivery infrastructure replaces the Hospital's. Therefore, CA expects that the initial annual fiscal loss will be significantly higher short run and will only gradually be reduced to $233,093 over the course of several years.

To arrive at the short-term loss that the City will face pursuant to the Hospital's move, CA reviewed the detailed output of the LOCI model and specified the extent to which costs and benefits were likely to remain after the Hospital's relocation. In particular, the expenses associated with the provision of the City's utilities were divided into fixed and variable costs to determine what portion of the reduced demand for electricity, water and sewer services would be offset by reduced costs of production. Those remaining expenses, the fixed costs, formerly borne by the Hospital, will be the loss in the short run that the City will have to face until it can re-adjust its production methods and infrastructure costs; or, until the increased demand by other businesses fills in what was lost by the Hospital. Likewise, CA assumed that the costs of general government, public safety, libraries, etc. associated with the facility and employees of the Hospital would not disappear immediately upon the relocation of the Hospital, but rather require longer-term changes such as those mentioned above (reduction of staff, changes in production, new demand replacing current Hospital demand.) When all of these adjustments to the benefits and costs associated with the Hospital are taken into consideration, CA estimates that the City will face a net loss of $551,113 in the first year following the relocation of the Hospital. A detailed list of the costs, benefits and estimated residuals after the move can be found in the table labeled *LOCI Analysis – Short Term Residual Benefits and Costs* on page 5-16. The interpretation of this conclusion is that the City will have to either come up with approximately $550,000 more in revenues immediately after the Hospital's move to continue its current service level or it will have to cut $550,000 form its expenses (or a combination of both).

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[9] The Hospital provided CA with the number of employees at its facility that are residents of the City.

[10] This figure was derived by multiplying the public safety line item on the chart on page 5-6 by 86.7%, which is the portion of the Hospital leaving the City.

Reducing the short-term loss of $551,113 to the long-term loss of $233,093 will require that the City readjust its expenditures to account for reduced demand for utilities and services. In particular, the municipal Electric Service will lose roughly $450,000 in annual revenues from the lessened electric power consumption immediately after the Hospital's move. Some of that loss will be offset because the City will no longer have to produce the electricity the Hospital was formerly consuming. However, the fixed costs of the production and delivery of electricity, formerly paid for by the Hospital, will now be a loss to the budget. Considering that the Electric Service is already running a significant deficit, the City will have to take steps to reduce the costs of its excess capacity, readjust its pricing system for electric consumption and delivery, and/or explore options to generate additional electric power revenue.

Likewise for other utilities and costs of government services: for instance, LOCI estimates that Hospital-related Public Safety expenses currently amount to over $135,000. Since 86.7% of the Hospital is leaving, the City will have to readjust $117,000 in associated costs.

F. Survey of Businesses

To supplement the economic and fiscal impact analyses of this report, Camoin Associates conducted a survey of small retail and restaurant businesses in the direct vicinity of LakeEast Hospital. The results of the survey were used to develop assumptions regarding the Hospital's impact on local businesses. Of the approximately 60 businesses that received the survey, nineteen responded (32%). The results, summarized below, show a small but measurable impact will result from the relocation of the hospital.

When asked what percentage of their sales can be attributed to the hospital, eight respondents stated that they have no hospital-related sales, six had 5% or less and five businesses had 25% or less. No respondents reported more than 25% of sales coming from the hospital.

Percent of Sales Attributed to Hospital	
None	8
5% or less	6
25% or less	5
More than 25%	0
Total	19

Do you anticipate any layoffs?	
Yes	0
No	13
Unsure	5
No Response	1
Total	19

Of the businesses surveyed, none reported any planned layoffs, but five remain uncertain at this time.

When asked if they plan to relocate after the hospital moves, two businesses responded that they would. However, both of these respondents also marked "unsure" and one of them added that the business would be *expanding* to a location near the relocated hospital.

Will you move out of Painesville?	
Yes	2
No	14
Unsure	6

Finally, respondents were asked if they anticipated any other negative impacts of the hospital move. Ten responded that they did not expect any negative effects while seven thought there would be negative effects or were unsure. Selected comments from the opened ended section of the survey are listed below:

- "… lack of adequate parking has always been and will continue to be a problem."
- "[The loss of the hospital is] one less reason to come to Painesville, therefore less traffic."
- "I believe overall it will hurt other local businesses, which will create layoffs, which will create less population and sales overall."

- “We believe doctors-lawyers will follow hospital which means not just hospital business will be lost but others too.”
- “…[the real] problem is [the] stigma associated with Painesville and especially so after 5:00 pm”
- “…[the hospital move will generate] less desire for any more investors to locate in city”
- “We may open another location near new hospital - that area is growing very well.”
- “…[the hospital] is a market I had hoped to cultivate and incorporate into my business growth.”

G. Assumptions & Tables

Assumptions made for the LOCI and IMPLAN analysis by CA, with sources of the information listed in the right-hand column.

Assumptions about LakeEast Hospital		
Item	Amount	Source
NAICS Code	622	CA
Annual Sales	$118,500,000	LE
LE Purchases from City businesses	$768,996	LE
Property Taxes Paid	None	City
Income Tax Withholding – 2003	$523,943	City
Parking Fees Paid – 2003	$41,399	City
Water Fees Paid – 2003	$20,002	City
Sewer Fees Paid – 2003	$33,247	City
Electric Power Fees Paid – 2003	$495,200	City
Average monthly water usage by LE	751 HCF	City
Average monthly wastewater usage by LE	562 TG	City
Average monthly electricity usage by LE	587,467 KwH	City
LE Employment		
-Residents of the City	136	LE
-Residents of the County (not in City)	592	LE
-Total Employment	941	LE
LE Annual Payroll	$22,800,000	LE
Number of Patient Visits (PV) per year	5,688	LE
Average duration of PV	4.28 days	LE
Average daily visitor expenditure per PV-day	$10.00	CA
Average daily visitor water usage per PV-day	5 CF	CA
Average daily visitor wastewater usage per PV-day	10 G	CA
Average daily visitor electricity usage per PV-day	10KwH	CA

Abbreviations:
CA – Camoin Associates, CF – Cubic Feet, City – City of Painesville, G – Gallon, HCF – Hundred Cubic Feet, KwH – Kilowatt Hours, LE – LakeEast Hospital, NAICS – North American Industry Classification System, PV – Patient-visit, TG – Thousand Gallons

Notes:

- CA assumed that the average hospital-related visitor would spend $7 per visitor day on restaurants and $3 per day on retail sales. These figures are far less than would normally be expected for a hospital, but the extenuating circumstances surrounding the LakeEast situation warranted a more conservative figure. For example, there are no hotel-related expenditures because LakeEast serves a relatively local customer base and because the City has little hotel space available; no local transportation-related purchases were assumed, some of the visitors to the Hospital would purchase food at the Hospital's own cafeteria and not in restaurants in the City, etc.

- LE utility usage is based on 2003 actual figures.

- Parking Garage – LE currently leases 210 spots in the City parking garage for a total annual payment of approximately $41,000. Because of the tight parking situation in downtown Painesville, CA assumes that all 210 LE spots will be absorbed by other businesses/individuals after the move of LE and will have no net impact on the City's revenues. The City's economic development department verified this assumption.

Assumptions on Industry Multipliers				
Industry	Type	Multiplier	Reduction	Multiplier (final)
Hospital	Employment	1.50	50%	1.25
Hospital	Income	1.38	50%	1.19
Retail	Employment	1.16	-	1.16
Retail	Income	1.24	-	1.24
Recreation (inc. restaurants)	Employment	1.12	-	1.12
Recreation	Income	1.21	-	1.21

For an explanation of the source of the multipliers, please see the footnotes on page 5-2.

To illustrate the meaning of these figures, the multiplier of 1.25 in line one of the table (Hospital Employment Multiplier) means that one hundred Hospital jobs produce a total effect of five hundred jobs in the economy:

400 x1.25 = 500

This means that four hundred jobs in the Hospital create an additional one hundred jobs elsewhere in the commercial sectors that serve the Hospital and its employees.

Likewise, for the Hospital Income Multiplier in line two of the table, this means that for every $1,000 earned by a Hospital employee, a total of $1,190 dollars in earned in the total economy:

1,000 x 1.19 = $1,190

This means that the Hospital employee earned $1,000 and employees in a related sector earned $190.

Notes:

- Employment and Income multipliers associated with the hospital have been reduced by 50% to account for the fact that some indirect and induced effects of the hospital on the City of Painesville will remain after the move given the new location's proximity to Painesville and the fact that some spending patterns will remain unchanged.

Assumptions about the City of Painesville	
Item	Amount
Real Property Assessment Rate	35%
Real Property Millage Rate	3.70
Residential Net Assessed Value	$51,525,673
Taxing Districts	15 & 35
Sales Tax Received by City	None
Revenue	
-Liquor License	$10,000
-Income Tax	$7,231,813
-Fines Collected	$581,300
-Permits	$135,600
-Misc.	$3,874,229
Total Revenue (not including prop tax)	$11,832,942
Costs	
-Public Works	$1,371,433
-Recreational and Library	$1,101,540
-General Government	$2,481,137
-Social Welfare	$100,825
-Public Safety	$6,835,644
-Other	$1,367,443
Total Costs	$13,258,022
Number of Households	6,525
Total estimated jobs in City	12,000
Total wages in City	$43,055,711

The figures above were provided by employees or agents of the City and the Assessor's office.

Notes:

- Revenue and Cost figures from 2003 actuals.
- "Misc." revenues include intergovernmental support and other miscellaneous revenue for the City.

Utilities	
Total Annual Operating Cost – Water	$3,790,368
Annual Quantity Sold - Water	93.02 MCF
Annual Revenues – Water	$4,627,762
Total Annual Operating Cost – Wastewater	$2.961,869
Annual Quantity Sold – Wastewater	72.34 MCF
Annual Revenues – Wastewater	$3,348,479
Total Annual Operating Cost – Electric	$18,655,055
Annual Quantity Sold – Electric	220,935 MwH
To Residential	68,869 MwH
To Industrial	5,219 MwH
To Commercial	94,846 MwH
Annual Revenues – Electric	$17,853,040
To Residential	$6,328,833
To Industrial	$3,429,430
To Commercial	$8,094,777
Number of Customers – Electric	
Residential	9,011
Industrial	6
Commercial	1,872

Figures in this table were provided by employees of the City's utility systems.

Abbreviations:
MCF – Million Cubic Feet
MwH – Megawatt Hours

Notes:

- Annual *operating* costs of utilities were derived from 2003 data by subtracting costs associated with capital outlays, construction and deposits from total costs.

Assumptions - Default Values	
Item	Value
Disposable Personal Income Percentage of Total Income	87%
State or regional average households per employee	0.78
Value Added per Dollar of Revenue	
Manufacturing	$0.4668
Retail	$0.1171
Service	$0.2088
Wholesale	$0.0572
Revenues per Establishment	
Manufacturing	$11,067,836
Retail	$1,360,367
Service	$1,311,437
Wholesale	$7,232,918
Percent of Disposable Income Spent on Services	9.00%
Revenue per Employee	
Lodging	$41,599
Recreation	$56,212
Transportation	$39,076
Retail	$103,425
Service	$124,078
Value Added per Dollar of Revenue	
Lodging	$0.2749
Recreation	$0.3309
Transportation	$0.3953
Revenue per Establishment	
Lodging	$1,359,386
Recreation	$584,517
Transportation	$411,171
Percentage of New Hires Previously Unemployed	5%

These are values that LOCI provides as inputs to the fiscal analysis. CA did not modify any of these values. They are based on regional data collected from multiple sources and is used to calculate the multiplier effects of the fiscal impact. For more information about these sources, please visit the LOCI web page where you can find an in-depth overview of how this data is collected.

LOCI Analysis – All Details

BENEFITS

Sales Taxes

City receives no ST revenue	
Total	n/a

Property Taxes

Facility Real Property	n/a
Commercial Multiplier Effect	$1,728
Commercial Visitor Induced	$31
Residential Facility	$20,085
Residential Multiplier Effect	$4,017
Resid Mult Effect Visitor	$73
Total	**$25,934**

Water Revenues

Residential	$80,305
Residential Multiplier Effect	$21,135
Residential Visitor Induced	$0
Facility	$20,007
Commercial Multiplier Effect	$0
Commercial Visitor Derived	$6,056
Industrial Multiplier Effect	$0
Total	**$127,503**

Wastewater Revenues

Residential	$70,349
Residential Multiplier Effect	$18,515
Residential Visitor Induced	$0
Facility	$33,248
Commercial Multiplier Effect	$0
Commercial Visitor Derived	$1,506
Industrial Multiplier Effect	$0
Total	**$123,618**

Electric Power Revenues

Residential	$71,492
Residential Multiplier Effect	$18,816
Residential Visitor Induced	$0
Facility	$495,204
Commercial Multiplier Effect	$158,691
Commercial Visitor Derived	$20,777
Industrial Multiplier Effect	$67,231
Total	**$832,211**

Storm Water

Facility	$2,888
Total	**$2,888**

Liquor License Revenues

Facility and Employees	$156
Multiplier Effect	$41
Visitor Induced	$1
Total	**$198**

Income Tax Revenues

Facility and Employees	$523,943
Multiplier Effect	$137,880
Visitor Induced	$2,471
Total	**$664,294**

Revenues from Fines

Facility and Employees	$9,608
Multiplier Effect	$2,387
Visitor Induced	$43
Total	**$12,038**

Revenues from Permits

Facility and Employees	$2,115
Multiplier Effect	$557
Visitor Induced	$10
Total	**$2,682**

Miscellaneous Fees

Residential	$60,438
Other Fees Multiplier	$15,907
Visitor Induced	$285
Total	**$76,630**

COSTS

Public Works

Facility Employees	$21,394
Multiplier Effect	$5,631
Visitor Induced	$101
Total	**$27,126**

Recreation/Libraries

Facility Employees	$17,184
Multiplier Effect	$4,523
Visitor Induced	$81
Total	**$21,788**

Fee Services

Facility Employees	$21,332
Multiplier Effect	$5,614
Visitor Induced	$101
Total	**$27,047**

General Government

Facility Employees	$38,706
Multiplier Effect	$10,187
Visitor Induced	$183
Total	**$49,076**

Social Welfare

Facility Employees	$1,573
Multiplier Effect	$414
Visitor Induced	$7
Total	**$1,994**

Public Safety

Facility Employees	$106,636
Multiplier Effect	$28,065
Visitor Induced	$503
Total	**$135,204**

Water Costs

Residential	$80,645
Residential Multiplier Effect	$21,225
Residential Visitor Induced	$380
Facility	$45,024
Commercial Multiplier Effect	$0
Commercial Visitor Derived	$6,081
Industrial Multiplier Effect	$0
Total	**$153,355**

Wastewater Costs

Residential	$64,634
Residential Multiplier Effect	$17,011
Residential Visitor Induced	$305
Facility	$38,341
Commercial Multiplier Effect	$0
Commercial Visitor Derived	$1,384
Industrial Multiplier Effect	$0
Total	**$121,675**

Electric Power Production

Residential	$73,362
Residential Multiplier Effect	$19,308
Residential Visitor Induced	$346
Facility	$664,784
Commercial Multiplier Effect	$175,342
Commercial Visitor Derived	$22,957
Industrial Multiplier Effect	$105,781
Total	**$1,061,880**

These are the line-by-line breakdowns of the fiscal impacts related to the Hospital move, as summarized in the text on page 5-6. "Residential" refers to employees of the Hospital that are residents of the City (or resident employees of related businesses). "Visitor Induced" and "Visitor Derived" refers to effects caused by family and friends visiting patients in the Hospital and spending money on restaurants and retail. "Facility" refers to the Hospital itself. "Residential Multiplier Effect" and "Commercial Multiplier Effect" refer to associated spending by the Hospital and by resident employees of the Hospital.

LOCI Analysis – Short Term Residual Benefits and Costs			
BENEFITS		Residual %	Residual $
Property Taxes			
Facility Real Property	n/a		
Commercial Multiplier Effect	$1,728	100%	$ 1,728
Commercial Visitor Induced	$31	13%	$ 4
Residential Facility Employees	$20,085	100%	$ 20,085
Residential Multiplier Effect	$4,017	100%	$ 4,017
Residential Mult Eff-Visitor Induced	$73	13%	$ 10
Water Revenues			
Residential	$80,305	100%	$ 80,305
Residential Multiplier Effect	$21,135	100%	$ 21,135
Residential Visitor Induced	$0	13%	$ -
Facility	$20,007	13%	$ 2,661
Commercial Multiplier Effect	$0	100%	$ -
Commercial Visitor Derived	$6,056	13%	$ 805
Industrial Multiplier Effect	$0	13%	$ -
Wastewater Revenues			
Residential	$70,349	100%	$ 70,349
Residential Multiplier Effect	$18,515	100%	$ 18,515
Residential Visitor Induced	$0	100%	$ -
Facility	$33,248	13%	$ 4,422
Commercial Multiplier Effect	$0	100%	$ -
Commercial Visitor Derived	$1,506	13%	$ 200
Industrial Multiplier Effect	$0	13%	$ -
			-
Electric Power Revenues			-
Residential	$71,492	100%	$ 71,492
Residential Multiplier Effect	$18,816	100%	$ 18,816
Residential Visitor Induced	$0	13%	$ -
Facility	$495,204	13%	$ 65,862
Commercial Multiplier Effect	$158,691	100%	$ 158,691
Commercial Visitor Derived	$20,777	13%	$ 2,763
Industrial Multiplier Effect	$67,231	13%	$ 8,942
			-
			-
Storm Water			-
Facility	$2,888	100%	$ 2,888
			-
			-
Liquor License Revenues			-
Facility and Employees	$156	100%	$ 156
Multiplier Effect	$41	100%	$ 41
Visitor Induced	$1	100%	$ 1
			-
			-
Income Tax Revenues			-
Facility and Employees	$523,943	13%	$ 69,684
Multiplier Effect	$137,880	100%	$ 137,880
Visitor Induced	$2,471	13%	$ 329
			-
			-
Revenues from Fines			-
Facility and Employees	$9,608	100%	$ 9,608
Multiplier Effect	$2,387	100%	$ 2,387

Visitor Induced	$43	100%	$ 43
			-
			-
Revenues from Permits			-
Facility and Employees	$2,115	100%	$ 2,115
Multiplier Effect	$557	100%	$ 557
Visitor Induced	$10	100%	$ 10
			-
			-
Miscellaneous Fees			-
Residential	$60,438	100%	$ 60,438
Other Fees Multiplier Effects	$15,907	100%	$ 15,907
Visitor Induced	$285	100%	$ 285
			-
			-
TOTAL BENEFITS			$853,131
COSTS			
Public Works			
Facility Employees	$21,394	100%	$ 21,394
Multiplier Effect	$5,631	100%	$ 5,631
Visitor Induced	$101	100%	$ 101
Recreation/Libraries			
Facility Employees	$17,184	100%	$ 17,184
Multiplier Effect	$4,523	100%	$ 4,523
Visitor Induced	$81	100%	$ 81
Fee Services			
Facility Employees	$21,332	100%	$ 21,332
Multiplier Effect	$5,614	100%	$ 5,614
Visitor Induced	$101	100%	$ 101
General Government			
Facility Employees	$38,706	100%	$ 38,706
Multiplier Effect	$10,187	100%	$ 10,187
Visitor Induced	$183	100%	$ 183
Social Welfare			
Facility Employees	$1,573	100%	$ 1,573
Multiplier Effect	$414	100%	$ 414
Visitor Induced	$7	100%	$ 7
Public Safety			
Facility Employees	$106,636	100%	$ 106,636
Multiplier Effect	$28,065	100%	$ 28,065
Visitor Induced	$503	100%	$ 503
Water Costs			
Residential	$80,645	100%	$ 80,645
Residential Multiplier Effect	$21,225	100%	$ 21,225
Residential Visitor Induced	$380	75%	$ 285
Facility	$45,024	75%	$ 33,768
Commercial Multiplier Effect	$0	100%	$ -
Commercial Visitor Derived	$6,081	75%	$ 4,561
Industrial Multiplier Effect	$0	100%	$ -

Wastewater Costs			
Residential	$64,634	100%	$ 64,634
Residential Multiplier Effect	$17,011	100%	$ 17,011
Residential Visitor Induced	$305	75%	$ 229
Facility	$38,341	75%	$ 28,756
Commercial Multiplier Effect	$0	100%	$ -
Commercial Visitor Derived	$1,384	75%	$ 1,038
Industrial Multiplier Effect	$0	100%	$ -
Electric Power Production			
Residential	$73,362	100%	$ 73,362
Residential Multiplier Effect	$19,308	100%	$ 19,308
Residential Visitor Induced	$346	75%	$ 260
Facility	$664,784	75%	$ 498,588
Commercial Multiplier Effect	$175,342	100%	$ 175,342
Commercial Visitor Derived	$22,957	75%	$ 17,218
Industrial Multiplier Effect	$105,781	100%	$ 105,781
TOTAL COSTS			$1,404,245
TOTAL BENEFITS			$853,131
Net Initial Loss to City Finances			$551,113

The above table is a summary of the estimates CA used to derive the short-term fiscal impact of the Hospital's move. CA assumed that:

- All Visitor and Facility related benefits would be reduced to the proportion of the Hospital's activities slated to remain in Painesville (13%).
- All Residential costs and benefits would remain at 100% of their current levels, since it is unlikely that resident employees would immediately move out of Painesville with the Hospital.
- All Commercial Multiplier Effects remain at 100% because it is assumed the Hospital will not immediately change its suppliers.
- Utility costs residuals are estimated at 75% for the facility and visitor-related utility consumption because (a) 13% of the operations will remain and continue consuming the utilities; (b) the fixed portion of the costs associated with the production/delivery will remain after the move. It will take many years for the infrastructure fixed costs to be adjusted for the lessened demand and (c) CA assumes approximately 13% of the current visitation will remain with its associated utility consumption.

6 Recommendations

Based on the report findings, Camoin Associates developed recommendations to address each of the downtown markets examined. In addition, recommendations for consideration with regard to the LakeEast Hospital facility reuse were provided. Other recommendation topics include Minimizing the LakeEast Hospital Financial Impact, Downtown Commercial and Residential Development, Industrial Development, and Retail Recruitment and Promotion.

A. LakeEast Hospital Building Reuse

The LakeEast Hospital facility consists of 238,225 square feet (sf) of space. It is anticipated that approximately 32,000 sf will continue to be used by the LakeEast Hospital System for ambulatory care services, leaving a balance of over 200,000 sf of potentially vacant or underutilized space available for other uses. The building and site are not appropriate for industrial reuse, but the current B-2 General Business zoning does allow for retail and office uses and the City of Painesville could encourage a mix of commercial uses. The LakeEast Hospital System has retained The Gateway Group to explore in greater detail feasible reuse options for the facility. Nevertheless, the findings of the industrial, office and retail market analyses contained within this report offer considerations for redevelopment.

1. **MIXED-USE REDEVELOPMENT –** Increasingly, mixed-use projects are becoming common urban development scenarios. From Boston to San Francisco, demographic and lifestyle trends now favor infill redevelopment projects that include first floor retail combined with upper floor housing and commercial office space. Based on the various Painesville assessment findings, no single commercial market analysis indicated the strength to absorb the space that will become available with the relocation of 816 hospital jobs. However, current and projected growth in housing demand and an estimated need for 56,000 sf of additional office space by 2012 may offer the opportunity for the mixed-use redevelopment of the LakeEast Hospital property. Long-term growth in downtown residential and office employment would further support existing and new specialty retail and personal service businesses. As a result, reuse consideration should be given to a development scenario that includes ground floor retail and personal service businesses along the more visible East Washington Street facade, and market rate and affordable housing and quality office space on the upper floors. The proportion of the building(s) dedicated to each of these new uses would be entirely dependent upon market conditions and financial viability. The City may want to review its existing zoning regulations to offer the greatest flexibility for this type of mixed development.

2. **ENHANCED ADULT HOUSING –** Although a housing market analysis report was not part of this study, regional demographic data and national population aging trends suggests a growing need for elderly housing in Lake County. In fact, the population of market area residents 75 and older is projected to grow 9% by 2009. While state and federal funding is typically available to meet these housing needs, this type of development is not likely to offer the City substantial positive economic impact due to the fixed incomes of new elderly households. It would, however, offer employment opportunities and meet what will be a growing need for the region over the next 20 years.

B. Commercial & Residential Downtown Development

1. **DEVELOP INCENTIVE PROGRAMS TO UPGRADE EXISTING CLASS B & C OFFICE SPACE** - Much of the City's perceived image is the result of upper story commercial vacancies and to some extent a lack of quality space and businesses. Regional market conditions indicate a healthy demand for quality office space, while the desire for lower quality space remains weak. These market changes resulted from favorable Class A lease rates that led to the movement of businesses from lower to better quality space. In fact, the Painesville market analysis revealed that the area's Class B and C office space is experiencing a combined 23% vacancy rate, with 48% of all Class C space currently unoccupied. By developing an affordable financing program for commercial interior building improvements, the City can foster private investment in downtown office space, improve its marketability, keep and/or attract a more mature and established business clientele, and capitalize on existing demand for quality office space. This financing may need to be in the form of a small grant and/or low interest loan to property owners. The terms may also be tied to the job creation and resulting additional City income tax revenue.

Vacant Upper Floor Class C Office Space

Successful Downtown Specialty Retail with Upper Floor Housing

2. **CONSIDER INCENTIVES TO RECRUIT ADDITIONAL SPECIALTY RETAIL SHOPS TO THE DOWNTOWN** - Until critical mass is established, incentives may be needed to attract retailers to a downtown location. Additional research is needed to determine the form of those incentives, but they might include low interest loans, additional financing for building and façade improvements, marketing assistance, or rent subsidies, etc. The program should target businesses identified in the Retail & Promotion recommendation below. The City of Elyria has developed a Downtown Storefront Rebate Program that provides assistance to downtown property owners for improvements to historic buildings and storefronts. Other communities have provided funding for commercial space improvements specifically to attract a tenant to a vacant or underutilized building. One county in western New York is now offering a commercial rental subsidy program to attract new businesses.

3. **CONVERT UPPER FLOOR CLASS C OFFICE SPACE TO MARKET RATE HOUSING –** Again, the lack of demand for Class C office space and the simultaneous growth in downtown housing demand has created opportunities for downtown redevelopment. Zoning modifications and the creation of incentives for the conversion of existing class C space to market rate housing will reduce an abundance of vacant commercial space and increase downtown residential offerings. While it is important to continue to make affordable housing available in downtown neighborhoods, the diversification of income groups is key to downtown revitalization. The increasing desire by certain demographic segments to reside in a downtown setting is now fueling the growth of urban mixed-use development. In turn, these trends are supporting urban small business growth as the increase in downtown population and the median household income subsequently supports retail and personal service business spending.

4. **DEVELOP A CITY MICROENTERPRISE PROGRAM THAT SUPPORTS LOCAL ENTREPRENEURSHIP WITH A FOCUS ON TARGETED BUSINESS TYPES** - Downtown Painesville has traditionally served as an affordable location for new locally-owned businesses. In addition to creating an environment that is attractive to new businesses, however, the City should provide training, technical assistance and affordable financial support for existing businesses. Through a microenterprise program for new and growing businesses, the City will accelerate the growth and strengthen existing businesses, create employment opportunities for residents and further support commercial space demand. Typically, a successful microenterprise program includes the following three components: 1.) classroom instruction, 2.) one-on-one technical assistance, and 3.) affordable financing for start-up or expansion. It is critical that the class curriculum, technical assistance and loan program be designed to challenge entrepreneurs, provide participant access to experienced business consultants and adequately examine risk when considering financing requests. This program should also be focused on creating and strengthening businesses that serve the City's identified market niches including retiring baby boomer and the growing Gen X market segments, as well as its growing Hispanic population. The City can choose to form its own microenterprise development programs, or it can seek strategic partnerships with existing programs, such as the Lake County Economic Development Center's microenterprise loan fund or the incubator program being launch by the Painesville Area Chamber of Commerce.

5. **REVISE EXISTING DOWNTOWN SITE PLAN TO ACCOMMODATE NEW DOWNTOWN AND LAKEEAST HOSPITAL PROPOSED RECOMMENDATIONS** - Downtown Painesville continues to compete with other regional urban and suburban office, retail, industrial, housing and other markets. However, newer mixed-use developments are now attempting to offer convenience and ambience demanded by businesses and consumers today. To remain a desirable place to conduct business, downtown Painesville must develop a vision that capitalizes on the market opportunities identified in this report. That vision must reflect a built environment that illustrates the physical changes necessary to achieve its stated objectives.

   While the City has already created a downtown site plan, the reasonable objectives proposed in this report will need to be reflected in a revised CBD plan. The purpose of a CBD site plan is to develop community consensus for a downtown development vision. That vision may include identifying Painesville as a local or regional entertainment location where residents and visitors can find specialty retail shops, experience arts and cultural attractions and a variety of dining establishments. This Plan should account for the selected reuse alternative of the LakeEast Hospital and its new relationship with the CBD. In addition, a revised conceptual plan will be instrumental in assisting planners as they consider revisions to the City's Comprehensive Plan and land use regulations.

6. **ENCOURAGE MIXED-USE DEVELOPMENT** – As noted, mixed-use downtown development, with office and residential space above existing commercial establishments, is experiencing a resurgence in urban areas across the country. In the past 5-10 years, demographic trends have led to increased housing demand throughout the U.S. This has created a favorable market for urban areas as suburban housing has become increasingly scarce and expensive. Housing cost conscious individuals including empty-nest couples and younger Generation X'ers are now looking to the abundant and affordable downtown housing markets as places to live. In addition, younger generations are looking to experience the conveniences of urban living to alleviate time-poor lifestyles. The City of Painesville should encourage the development of CBD housing stock to meet likely future demand by reviewing zoning regulations to ensure a mixed-used-friendly zoning review process.

7. **CONTACT DOWNTOWN OHIO, INC. ABOUT ACCESSING TECHNICAL ASSISTANCE AVAILABLE THROUGH THE OHIO MAIN STREET PROGRAM** – Founded in 1989, Downtown Ohio, Inc. is a non-profit corporation organized to encourage development, redevelopment and improvement of downtown areas and commercial districts throughout Ohio. In 1997 Downtown Ohio launched the Ohio Main Street Program and is the State Coordinating Program for the

DOWNTOWN OHIO INC.
OHIO MAIN STREET PROGRAM

National Main Street Center of The National Trust for Historic Preservation. Services provided by the organization include downtown assessments, board training, design review training, and annual training conferences.

8. **UTILIZE TAX INCREMENT FINANCING (TIF) –** TIF is an economic development mechanism available to local governments in Ohio to finance public infrastructure improvements and, in certain circumstances, residential rehabilitation. A TIF works by locking in the taxable worth of real property at the value it holds at the time the authorizing legislation was approved. Payments derived from the increased assessed value of any improvement to real property beyond that amount are directed towards a separate fund to finance the construction of public infrastructure defined within the TIF legislation. Local governments may authorize TIFs to fund a number of infrastructure needs including public roads and highways, water and sewer lines, remediation, land acquisition, demolition, the provision of gas, electric, and communications service facilities, and the enhancement of public waterways. As the City forwards its downtown redevelopment initiatives, it may wish to consider utilizing the TIF tool as a mechanism for financing downtown infrastructure and housing improvements. However, the effectiveness of this tool may be limited as the City derives little revenue from property taxes. Additional information can be found at http://www.odod.state.oh.us/TIFSummary1.31.pdf.

9. **PROMOTE MIXED USE INFILL ALONG MAIN AND STATE STREETS** - To improve downtown retail demand and capitalize on the growing opportunity for urban residential housing, the City should promote the development of new mixed-use building infill to meet the growing demand for downtown residential and Class A office space. This focus should begin by concentrating on the one-block area from the intersection of Main and State Streets. This section appears to be one of the most heavily traveled corridors within the City and offers existing buildings, architectural character and vacant parcels for redevelopment.

C. Industrial Development

1. **FACILITATE LOCAL BUSINESS EXPANSIONS** - A listing of local industrial businesses that are considering a future expansion, as well as their space requirements, was obtained from the industrial survey conducted by Camoin Associates. These leads represent a clear opportunity for the City to facilitate industrial business growth within its corporate limits. Additionally, the expected strengthening economy should create further opportunities to provide economic development expansion assistance to local manufacturers as demand for goods and employment increases.

   A local effort to assist these businesses with their expansion plans represents a higher priority objective when compared to business attraction alternatives. In fact, by focusing its industrial development resources on existing businesses, the City will continue to create a positive business environment that will lead to business relocation referrals. As part of its business retention plan, the City's Economic Development staff should administer a similar survey on an annual basis to capture the relocation/expansion plans of local industrial businesses so that a continual flow of expansion leads is maintained.

2. **PURSUE BROWNFIELD REMEDIATION & REDEVELOPMENT FUNDING –** Similar to other industrial cities, the City of Painesville is likely to have a number of contaminated industrial properties that

cannot be redeveloped until remediation is complete. Federal Environmental Protection Agency (EPA) Brownfield programs have been established to provide assessment and remediation financing. The purpose of these programs is to determine if industrial property contains hazardous materials and what is necessary to remediate the waste and return the parcel to productive use. The City should continue to identify these potential sites and secure funding for their clean-up. This will allow for an expanded inventory of developable property to accommodate future demand by locally expanding companies.

3. **DEVELOP A DIFFERENTIATED MARKETING MESSAGE FOR INDUSTRIAL PROPERTY OFFERINGS** - The current formats that industrial property data are presented in real estate spec sheets, IDA web pages, and other marketing material do little in terms of highlighting the differentiating features of industrial sites. This approach creates the risk that most properties will appear virtually identical to site location consultants and business managers engaged in the site selection process. Simultaneously, today's cutting edge management practices now focus on "lean manufacturing." The principles of lean manufacturing involve developing the most efficient processes in the production of goods. Most manufacturing leaders now recognize the importance of creating an environment that supports these principles.

TRADITIONAL PROPERTY PROFILE

City of Painesville Industrial Park

- Over 150,000 sq. ft. of contiguous space
- Available at $4.00 per sq. ft. (NNN)
- Convenient access to I-90
- All utilities located on-site
- 25 adjacent acres available
- Economic incentives available including investment tax credits, workforce training grants and PILOT agreements
- Skilled and ready labor force
- Superior quality of life with one of the best primary educational systems in the state

REVISED PROPERTY PROFILE

Painesville Production Efficiency Center

- Open floor plans to facilitate process flow and cellular manufacturing systems
- Immediate access to I-90 interchange and rail to support the Just-In-Time delivery of production resources
- Redundant power feeds and location within five miles of over 20 CNC service centers and parts suppliers to minimize costly production down time
- Over 400 local college graduates annually trained in lean thinking, quality and TQM concepts

Why not create the perception in the minds of these target audiences that the City's industrial property offering is distinct and differentiated on a set of variables other than what is typically presented in property profiles? For example, lean thinking, quality and other efficiency related issues are critical to a manufacturer's ability to sustain today's competitive advantages. Perhaps the City could distinguish its sites and business attraction message by offering the only "perceived" mix of properties that are "lean process-ready." A sample is shown above.

4. **TARGET DEMAND FOR SMALLER, MORE FLEXIBLE SPACE** – The industrial market analysis indicated a strong demand for smaller, flexible industrial space. If the City is considering new speculative construction, priority should be given to bringing flex building(s) under 50,000 square feet online. Based on the industrial business survey results, these actions would enhance the City's ability to respond to business attraction/expansion leads.

5. **TARGET POTENTIAL GROWTH INDUSTRIES –** The growth in big box retail outlets has increased the demand for large-scale, strategically located distribution facilities. These distribution centers, which can range in size from 300,000 to over 1 million square feet, support numerous retail facilities within a geographic area and can typically be found in proximity to major highway transportation corridors. The industrial market analysis indicated that warehousing and distribution facility demand should continue to remain strong in northeastern Ohio. If that sector continues to remain attractive, the City should assess the feasibility of developing an Interstate accessible shovel-ready warehouse/distribution site to capitalize on this opportunity and diversify its economic base.

   Additionally, several of the City's industrial business survey respondents that are contemplating a future expansion are located within metals related industries, which are typically energy-intensive. Given the City's low-cost power advantage, and the localized activity in the metals sector, it is possible that outreach to metals businesses in comparatively high-cost energy areas of northeastern Ohio could result in some relocation of these manufacturers to the Painesville area.

6. **LINK LOCAL MANUFACTURERS WITH LEAN MANUFACTURING TECHNICAL ASSISTANCE ORGANIZATIONS –** Although it has experienced significant decline in recent years, manufacturing remains an important industry to the Painesville economy. Promoting or providing access to organizations that offer technical assistance in lean manufacturing to small manufacturers should be part of the City's business retention efforts. One such resource is the Work in Northeast Ohio Council (WINOC). WINOC was formed in 1981 by a group of concerned business, civic, labor, and academic leaders. Since 1981, WINOC has worked with over 1,500 organizations in the 17 county region of Northeast Ohio. WINOC helps manufacturers involve their employees in productivity improvement through customized services and solutions in the areas of leadership development, strategic planning, lean manufacturing, and quality management. Search http://www.winoc.org/about.html for details and contact information.

7. **PROMOTE AVAILABLE INDUSTRIAL SITES TO STATE ED OFFICIALS AND SITE SELECTORS –** While many economic development organizations market available sites through traditional advertising mediums, the awareness of state economic development officials and site selectors remains the most cost effective strategy for marketing industrial property. In addition, listing properties with nationally networked commercial real estate firms such as CB Richard Ellis also increases exposure to business relocation leads as these firms typically receive all state economic development official location inquires. If not already part of its marketing efforts, the City should strengthen relationships with these individuals and firms. Potential initiatives include:
   - Invitations to tour available properties and facilities
   - Periodic phone calls to state economic development, commercial real estate and site selection officials to update them on the availability of sites and incentive programs
   - Annual holiday card mailing
   - Economic development news press release fax

D. Minimizing the LakeEast Hospital Financial Impact

1. **RE-EXAMINE UTILITY RATE FEE STRUCTURE –** The LakeEast Hospital relocation fiscal impact findings indicate that the City's utilities are being provided below cost. Furthermore, the relocation of the hospital facility (assuming an equal replacement is not immediately found) will result in the loss of additional utility fees. To eliminate the current operating losses in supplying such utilities to users, the City should re-examine and increase its rates accordingly.

2. **REDUCE OPERATING COSTS –** The hospital's relocation is projected to result in a net loss of over $551,000 to the City's total budget in the first 12 months. In anticipation of this loss, the City should begin reducing fixed costs in departments that are most likely to be impacted by the hospital's

relocation. In addition to the utility-related issues mentioned above, the City should consider reducing costs in its General Government and Public Safety budgets to account for a lessened demand for government services after the move.

E. Retail Recruitment & Promotion

1. **RECRUIT ADDITIONAL RETAIL AND SERVICE BUSINESSES TO FILL GAPS IN THE EXISTING BUSINESS MIX, RESPOND TO POTENTIAL MARKET OPPORTUNITIES, AND ENHANCE THE VIABILITY OF DOWNTOWN PAINESVILLE AS A RETAIL/ENTERTAINMENT CENTER –** Although there are exceptions, most downtowns have been unable to attract retail franchise shops that are typically found in area strip malls. However, within the past 10 years the location of downtown specialty retail shops serving niche markets has grown. These trends are expected to continue for another 5-10 years. In addition, downtowns are now serving as community entertainment and cultural centers. The focus of the City of Painesville's business recruitment and incentive programs should capitalize on these opportunities and build on existing specialty retail shops. Based on the retail market analysis findings, areas of concentration should include the following types of businesses:

   A. Restaurants and Taverns: Additional full-service dining establishments are needed to draw customers from the trade area and support evening (and possibly weekend) activity. The City should seek eating and drinking places that would serve a specific market niche: e.g., a wine bar, a brewpub, and/or a sports bar.
   B. Specialty Food Stores: Attracting specialty food stores serving market niches would provide an alternative to traditional supermarkets. The recently expanded Hispanic food store located on East Washington Street is one such example. Other possibilities might include a health and/or additional ethnic foods store, an ice cream shop, or a retailer of premium coffees and teas.
   C. Housewares and Furnishings: Merchants selling specialty housewares, furnishings, or even antiques would complement and could potentially increase sales at the existing furniture and hardware stores downtown. It would also capture a portion of what appears to be a strong home improvement market in the trade area.
   D. Bookstore: Although some independent booksellers have found it difficult to compete with national chains, many have had success with specific market niches. A bookstore would be a desirable asset in a college town. Bookstores can also generate foot traffic and serve as a source of evening activity through readings, book signings, and other special events.

2. **TARGET SPECIFIC AREAS OF THE DOWNTOWN FOR CONCENTRATED RETAIL USE** - Currently, downtown Painesville lacks the space and critical mass necessary to become a specialty-shopping destination. There are no strong retail clusters, making it difficult for individual businesses to benefit from overlapping and/or complementary markets. To strengthen the downtown as a retail district, the City should identify locations where compatible and complementary retail clusters could be developed. Subsequent initiatives would then be used to direct new retail and dining establishments to these areas. Discussions with the affected property owners might be beneficial in determining whether a joint marketing effort might be productive.

3. **CREATE A TARGET MARKETING CAMPAIGN TO CONTINUE BUILDING ON EXISTING SUCCESS TO IMPROVE THE CITY'S OVERALL IMAGE** - Based on discussions with business owners, real estate professionals and developers, the City of Painesville has made tremendous strides in improving its overall image. Building and expanding upon this success will be critical to further altering a resident or prospective business owner's opinion about the community's outlook. By developing a fresh marketing campaign targeted to the Baby Boomer and the younger Gen X market segments, the City will continue its message of a progressive, healthy and dynamic community. Both the older baby boomers and the childless Generation X'ers are now driving the demand for urban lifestyle preferences. These preferences include the desire to experience downtown housing, shopping, arts, entertainment and social experiences. A comprehensive marketing campaign that delivers a consistent message over time to these two markets will continue to improve the City's image, create a positive

buzz about its economic transformation and improve downtown's desirability as a place to live and entertain.

4. **DEVELOP AN EFFECTIVE RETAIL RECRUITMENT PACKAGE TO HELP SELL THE DOWNTOWN TO A PROSPECTIVE BUSINESS OWNER, DEVELOPMENT, OR INVESTOR** - The development of an image or identity to communicate what the City has to offer is a critical component of a retail recruitment effort. Downtown Painesville should be differentiated from the shopping centers at the edge of the City and in Mentor, while simultaneously appealing to its target trade area market. Enhancing its existing package might include the City's vision, the downtown conceptual development plan, recent press releases, a trade area map, current market demographic and sales data, a list of downtown businesses the City would like to attract, and information about available business incentives and programs.

5. **CONTINUE TO DEVELOP AND PROMOTE SPECIAL EVENTS THAT BRING TARGETED TRADE AREA MARKET SEGMENTS TO DOWNTOWN** - Consideration should be given to event planning that targets trade area residents such as active empty nesters, affluent young families and Generation X'ers. For example, an endurance event such as road running or triathlon would appeal the younger singles and couples without children target markets. To increase restaurant exposure, the City might consider working with local restaurateurs to offer a week of special fixed-price dinner menus for one price. This type of event is typically more appealing to the baby boomer crowd.

6. **ESTABLISH AND/OR ENHANCE PARTNERSHIPS WITH LAKE ERIE COLLEGE** - "Town-gown" relationships can be important contributors to downtown revitalization. Although Lake Erie College's full-time enrollment currently does not exceed 700, student populations can bring vitality and trendy establishments to a downtown. In pursuit of this, the City could inform students of the stores, services, and amenities offered downtown by developing materials to be included in the college's orientation packet. Another option would be to plan a downtown event to coincide with a parents' weekend, providing an opportunity for interaction with students and family. Promoting an area of downtown with a focus on offering dining and entertainment establishments to this market segment would also be beneficial in establishing downtown as regional attraction.

7. **IDENTIFY AND PURSUE A DOWNTOWN ANCHOR PROJECT TO "JUMP START" RETAIL REVITALIZATION** - Current market conditions are not conducive to attracting major commercial anchors within downtown urban areas such as Painesville. However, the City could consider identifying and developing a major art, cultural, recreation or entertainment venue that would serve as a regional draw for trade area market segments. Again, this anchor should target the baby boomer and/or Gen X target markets. Such a facility could also provide a focal point within the community, a project around which residents, business owners, and political leaders could rally. Successful attractions are usually based on interpreting an event or segment of a community or region's history. As an example, the City of Saratoga Springs is home to the oldest horse race course in the country and now the National Horse Racing Hall of Fame, while Jamestown New York, the birthplace of Lucille Ball, now offers a museum in her honor. Possible options might include:

   - Children's science museum
   - Theater or small performing arts center
   - Youth indoor sporting facility (ice rink, climbing wall, etc.)
   - Industrial history museum
   - Lake Erie Aquatic and Natural History Museum

   Key to this effort will be developing a feasible and self-sustaining venue that is attractive to the trade area market segments identified.

8. **INCREASE COMMUNITY INVOLVEMENT IN PLANNING AND PROMOTING THE DOWNTOWN** - To build the downtown district's organizational capacity and increase implementation effectiveness, the City should continue to reach out to other stakeholders, including property owners, business leaders, and local banks, to assist with business recruitment efforts, special event planning, and advancing a consistent marketing message. Stakeholder involvement is key to the ownership necessary for successful implementation. A committee of involved community leaders should be in place to work hand-in-hand and assist the City with downtown and other community revitalization issues.