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Charter Township of Waterford

A Market Strategy for Development of a Planned Destination Area

Final Report Submitted To:

The Charter Township of Waterford
Economic Development Corporation
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1.0 EXECUTIVE SUMMARY

1.1 Introduction

We appreciate this opportunity to contribute to this important project for Waterford Township, and are hopeful that its property owners and other Community Stakeholders are able to share your vision for a mixed-use project that creates a regional destination and refuels economic growth. If this project is planned, designed, implemented and developed carefully, then it has high potential for success, and will enhance the quality of life for your residents, working families and visitors.

This document reports our preliminary findings regarding the economic feasibility of redeveloping Waterford Township's Planned Destination Area (PDA). In short, our findings are favorable for the project, with the following summary of recommendations:

1. We recommend that the amount of retail space be significantly reduced to no more than 620,000 gross square feet and concentrated as close to as possible to the intersection of Telegraph and Elizabeth Lake Roads, with a few national anchors plus a good mix of mid-sized (10,000 to 35,000 sq. ft.) anchors. Also, the sustainability of the shopping destination will be dependent upon the inclusion of a mixture of entertainment venues in the PDA.

2. We recommend that the various property owners within the PDA join together in an Owners' Consortium to plan, design and develop the PDA with in a phased manner that achieves an optimal scenario. When appropriate, shared resources, land trades and reasonable compromise can help ensure the completion of a cohesive and synergistic project. Ideally, the resulting project will include mixed-uses in a modern format that is enjoyable for working, shopping, learning, recreating and living.

This is the preferred strategy for long term economic viability, rather than creative reuse or partial redevelopment of existing buildings. To say it another way, it is not recommended that the area be redeveloped on a parcel-by-parcel basis. In the absence of the Owners' Consortium, there is a high probability that these objectives will be significantly compromised.

3. We recommend that the PDA include a good mix of community-oriented and regional entertainment venues, including meeting space, fitness centers, new community ice arena, and perhaps even a snowplex. A minor league ballpark may supplement the mixture of uses. However, it must first be demonstrated that the benefits outweigh the risks through a detailed Economic and Fiscal Impact Analysis.

Various uses within the project should be well-integrated with high levels of connectivity, consideration for shared parking, consistent aesthetics and some shared design elements. For example, the project may include retail above street-front retail that clearly leads to a focal point of an entertainment district.

4. Assuming that an Owners' Consortium is well-organized and that the PDA incorporates the recommendations detailed above, then additional housing units will also be supportable in the market, at the magnitude of up to 400 owner-occupied units, and up to 250 renter-occupied units by the year 2020.

5. We recommend that Waterford Township and the Owners' Consortium both utilize the professional planning services of Harley Ellis Devereaux and JJR, to ensure that any new development plan aligns with the optimal scenario, as described in this report.

6. Before commencing with a significant project like development of a minor league ball park, large convention center or snowplex, we recommend that a more detailed Economic and/or Fiscal Impact Analysis be commissioned to ensure that the project benefits are not outweighed by the project costs.

7. Recent state legislative action has provided new economic development tools that the Township and Owners' Consortium should explore, to assist with development of the PDA.

8. Until the PUD project breaks ground, it is important the all vacant and under-utilized properties and facilities be maintained at a reasonable level, including the grounds, signage, landscaping, general maintenance and illumination. It is particularly important to "keep the lights on" in as many facilities as possible, rather than letting them "go dark."

9. Until the PUD project breaks ground, some low-impact uses may be reasonable as temporary "ground cover" with special use variances. This may include uses like ball fields, overflow parking and storage units. However, it is important that these a) be allowed only under the temporary agreement, b) cooperatively relocate at some future date to allow for implementation of the PUD plan, and c) not be used to justify long-term or large-scale under-utilization of the properties within the project area.

If the PDA is not planned for and redeveloped under these guidelines and recommendations, then the opportunity for residential is significantly less, reflecting the region's soft housing market and economic climate. If redevelopment is proposed on a parcel-by-parcel basis by a variety of developers with conflicting agendas, then the overall project quality may become compromised.

When reviewing the balance of this report, please note that it includes an appendix of maps, aerial photos, charts, graphs, tables, and other exhibits used in our analysis. The reader is encouraged to first review all exhibits in the appendix, to be familiar with their content.

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1.2 Project Objective

Waterford Township has identified in its 20 year Master Plan a proactive interest in addressing its Planned Destination Area. The area currently includes Summit Place and ancillary retail that was developed beyond its current capacity. Summit Place in particular has been on the path of demise since the early 1990's.

Waterford Township's Economic Development Corporation, with the professional planning assistance of Harley Ellis Devereaux, JJR and Anderson Economic Group, have already conducted a series of visioning sessions, public meetings and open forums that were attended by community stakeholders, developers and residents of the area. During these sessions, a very consistent theme was heard regarding the community's wants and needs.

Key Phrases During Public Meetings

- Destination-Oriented, Mixed-Use
- Participation Sports
- Cultural Center
- Extended Hours of Activity
- Sustainable and Long Term
- Revolutionary and Evolutionary Ideas
- A Sense of Having Arrived Somewhere
- A Place To Be
- A Place that is Memorable and Unique

With this community input in mind, the purpose of our work is to test for the feasibility of various land use categories that have been proposed for consideration as a range of land uses in a mixed-use overlay zoning district to be incorporated into the Township's Zoning Ordinance. We have identified the highest and best uses for the land, determined the feasibility of alternative uses, and have identified key catalysts needed to propel the project forward and sustain some level of momentum. Our report also provides project priorities, and presents an expected phasing schedule for various land use categories.

The Township does not own or control any of the properties located within the PDA. Rather, the PDA is divided up among numerous property owners. In fact, the portions located north of Elizabeth Lake Road is divided among 14 different property owners. The Township cannot implement PDA development without the collaboration of these property owners - ideally under an organized Owners' Consortium.

Our report begins with an overview of the shopping area's history, followed by some market parameters that should be considered together with the analytic results.

2.0 THE SHOPPING AREA - A BRIEF HISTORY

This section of our report provides a historic perspective of Waterford Township's Planned Destination Area (PDA), and describes some of the transitions among retail anchors and tenants. The first developments in the PDA occurred on the south side of Elizabeth Lake Road with single family houses, a 1920's rowhouse development, some small retail buildings, and a bowling alley.

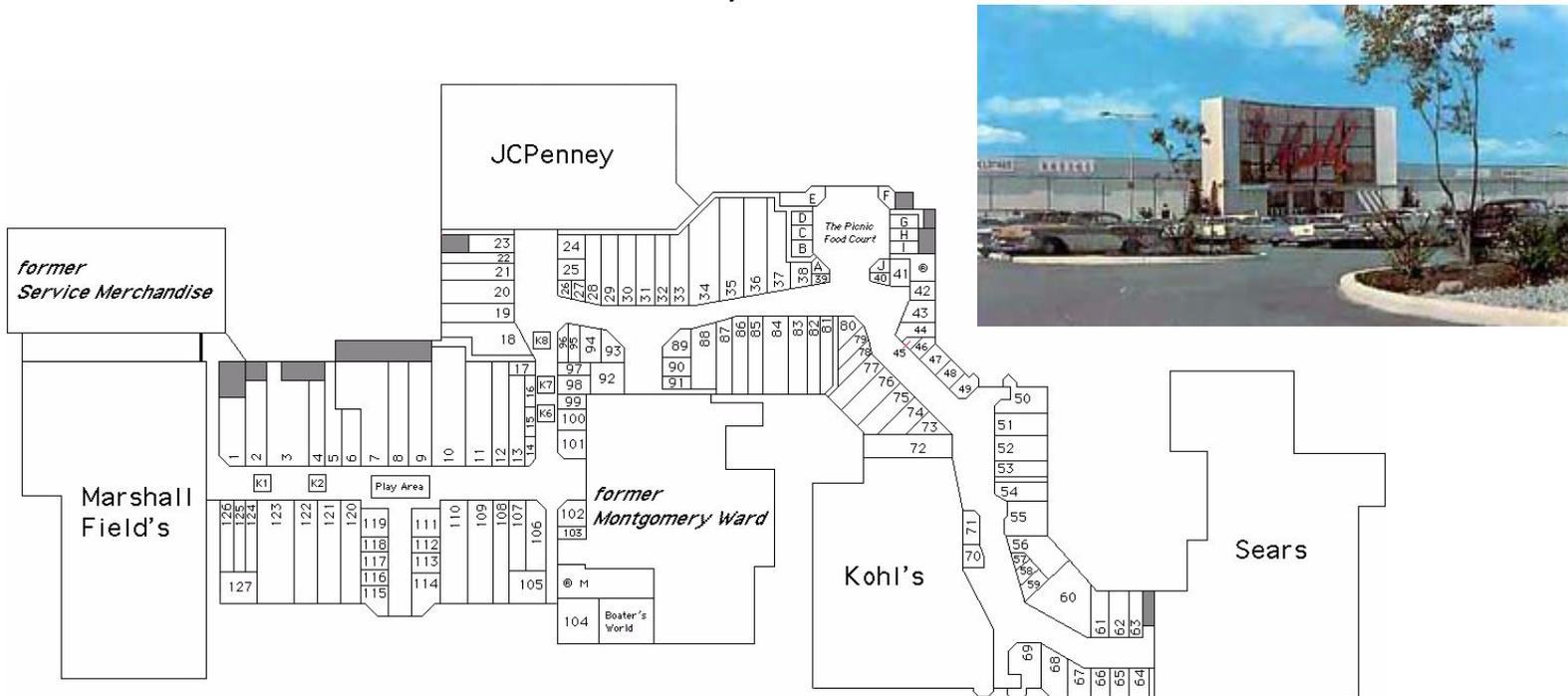
1960's

The first major retail center in the PDA was Pontiac Mall, developed in 1962/1963 on the north side of Elizabeth Lake Road. Pontiac Mall began as a one-level enclosed center with about 500,000 square feet, 30 tenants and anchored by Hudson's Budget Store (which eventually becoming a full-line Hudson's with 290,000 sq. ft.), Montgomery Ward and S. S. Kresge. A gas station (on the northwest corner of the Telegraph and Elizabeth Lake Roads) and a Kroger supermarket (north of the mall) were developed at about the same time.

1970's

In 1971, a freestanding Sears Roebuck and Co. (215,000 sq. ft.) was developed north of the Pontiac Mall. The first supporting strip center, North Oaks Plaza, was also developed to the west. North Oaks Plaza originally included a Chatham's supermarket, Jo Ann Fabric, and a mix of smaller tenants with Baskin-Robbins, beauty salon, book store, Household Finance branch office, apparel, sporting goods, pet shop, and a fireplace supply store.

Also in the early 1970's, Quality Pontiac automobile dealership was developed to the west. Arrowhead Mall Apartments was developed south of Elizabeth Lake Road during this same time.

EXHIBIT 1. Summit Place Mall Directory of Stores*1980's*

During the late 1980's, the shopping area experienced a significant expansion in retail space. Pontiac Mall was renamed Summit Place and expanded to 1.4 million square feet of retail space. Kroger supermarket was demolished and the original mall was connected to the existing Sears. The expansion included a new Picnic Place food court, plus J.C. Penney, Kohl's, giving the mall a total of six anchors.

During the late 1980's, Oakland Pointe was developed within the City of Pontiac's jurisdiction and directly across Telegraph Road from Summit Place, anchored by Builder's Square. The development of this large strip center began the development of over 1.0 million square feet of new retail in the vicinity.

1990's

In 1992, Summit Place owners developed a new strip retail center north of North Oaks Plaza, and renamed both the new and old phases of this strip retail center Summit Crossings (or Summit West). Anchors included Office Max, Sports Authority, Target, and Farmer Jack.

The gas station at the northwest corner of Telegraph Road and Elizabeth Lake Road was demolished and relocated adjacent to Summit Crossings. North of Summit Crossings, the Stadium Chevrolet dealership (now known as Lunghamer Chevrolet) was developed.

South of Elizabeth Lake Road, an old bowling alley was redeveloped into a strip retail center with ABC Warehouse, Applebee's restaurant and a fitness gym. Other small retail buildings were also developed along the south side of Elizabeth Lake Road.

In the early 1990's, the owners of Summit Place developed the Summit North strip center, anchored by Best Buy, Gander Mountain, and a relocated Builders Square (135,000 sq. ft.) from Oakland Pointe. Pace Membership Warehouse was added west of Summit North, and Summit Drive was extended northward to link to Pontiac Lake Road. South of Elizabeth Lake Road, a vintage 1920's rowhouse development was redeveloped into a station and McDonald's combo.

During the late 1990's, three restaurants were constructed in freestanding buildings northeast of Summit Place, including Olive Garden, Don Pablos, and Steak & Shake. Other events included a 1994 renovation of Hudson's and conversion of Pace into Sam's Club.

Meanwhile, a number of stores closed due to bankruptcy and/or disinvestments within their parent companies, including Service Merchandise, Builder's Square (Kmart Corp.), Montgomery Ward, Builder's Square (Kmart Corp.) and Farmer Jack. Builder's Square was replaced by Home Quarters.

Meanwhile, the unified ownership of Summit Place, Summit West and Summit North diverged as each was relinquished to lending institutions.



2000's

During the 2000's, Dayton-Hudson Corporation (Target Corp.) renamed Hudson's to Marshall Field's. Marshall Fields was later acquired by Federated Department Stores, who subsequently renamed the store to Macy's. Among area restaurants, Olive Garden was replaced by Red Lobster, Steak & Shake was replaced by Kerby's Koney Island, and Don Pablos closed and Popeye's Chicken opened. Ruby Tuesdays also closed inside Summit Place.

A KIA automobile dealership occupied the former Montgomery Ward auto repair building, and the gas station near Summit Crossing was vacated. More recently, a portion of the Summit North was renovated and occupied by Steve & Barry's apparel. The Summit West space formerly occupied by Sports Authority has also been renovated for office space.

Ownership of the three Summit retail centers also changed hands during the 2000's. A group of local investors acquired Summit West, with the same investment group also acquiring Summit North. The new owners have actively sought out new tenants to occupy the space in these two centers.

Meanwhile, Summit Place was acquired by a group of California investors who made early plans for a water park and entertainment complex. Bond financing was requested from the Township to fund the water park component, which would have replaced the space previously occupied by Montgomery Ward. The Township concluded that the financing belonged in the private sector, but the investment group was unable to raise the money.

2007

Currently, vacancy rates in Summit Place Mall are now exceeding 40 percent and the enclosed Mall as an economic entity is clearly on the path of demise. In all fairness, no single factor or event can be held accountable for its decline. Rather, industry analysts have acknowledged that the combination of market factors all contributed, including:

- The closure of various anchors due to company bankruptcies and reorganizations;
- The opening of Great Lakes Crossing, a regional outlet mall with Saks Off Fifth and Neiman Marcus clearance;
- The Summit Place's inefficient layout and configuration;
- An over-estimation of opportunity for new retail space, leading to over-saturation;
- A slump in the state and local economy, impacting consumer confidence levels; and
- Inadequate freeway access compared to competing regional retail destinations.

3.0 PROJECT PARAMETERS

3.1 Methodology and Approach

Our approach to this project is three-fold. First, we conducted analytic and quantitative supply-demand models for entertainment, retail and residential uses in Waterford Township's Planned Destination Area (PDA), to determine the general feasibility of various brands and product types. This analysis relies upon a careful delineation of the effective trade area, which reflects the locational characteristics of the project.

Second, we focused on a number of proposed land uses and project components that appeared most questionable, but in which both community stakeholders and residents expressed a repeat interest in. The overriding theme has been that of a Destination Oriented Sports Mecca or Arena that would be home to a minor league or independent sports team.

Third, with a particular focus on sports venues, we studied a variety of other projects in Michigan and other states and studied the locational strategies of minor league facilities, arenas, hotels and retail.

We also prepared a number of tables, histograms and scatter plots that demonstrate our recommendations and the results of our analysis, as summarized in the first section of this report. All of these analyses have been used together to formulate preliminary recommendations for creation of a regional destination.

3.2 Benefits and Risks

In our evaluation of the redevelopment potential for the PDA, we conducted an assessment of community strengths and weaknesses that could have a direct bearing on the project's success. As a strength, the market is clearly growing in income and expenditures. There is a stable population with working families and middle-to-moderate incomes with lifestyles that include enthusiasm for sports and affordable entertainment.

Cumulative traffic counts converging on the location are favorable. Some may be repeat pass-bys each day, but represent opportunities for advertising exposures to resident families. Meanwhile, the region is under-served in flat-surface arenas that can accommodate more than 300 people and also serve liquor.

There is a good mix of regional attractions already established in or near Waterford Township, including Waterford Oaks County Park, Oakland County Government Center, and Oakland County International Airport and a new YMCA.

PDA - Nearby Amenities

In Waterford

- Waterford Oaks County Park
- Marion Avenue Park
- Drayton Plains Nature Center
- Waterford Senior Center
- Waterford Mott High School
- Waterford Kettering High School
- Lakeland Tri Ice Arena
- Oakland County Government Center
- Oakland County International Airport
- Oakland Yard
- Pontiac Country Club Golf Course

In Nearby Communities

- Pontiac Phoenix Plaza / Amtrak Station in the City of Pontiac
- City of Pontiac Downtown District
- Hawthorn Park in the City of Pontiac
- YMCA in Auburn Hills
- Keego Harbor Business District

Not to be overlooked is the real estate redevelopment opportunity presented by the PDA. The opportunity to bring under-utilized urban land to some higher and better use is intriguing, and the opportunity to reduce excess retail space adds to the invitation.

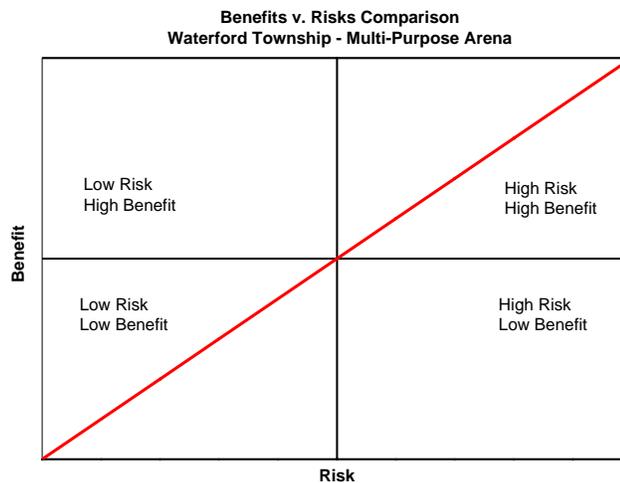
With these benefits in mind, it is also important to consider some of the risks and challenges that the project will face. Here are a few:

- Ownership of existing land in the PDA is fractionalized; in just the collection of parcels in the PDA north of Elizabeth Lake Road, there are at least 14 owners of record.
- High existing vacancy rates in Summit Place seem to be contributing to the downward spiral of retail and businesses in the area.
- Some major corporations have recently left the region, including the Kmart Corporation and Pfizer. Chrysler's future is considered dubious by some economists.

- Regional shopping destinations pose considerable competition, led by Somerset Collection, Twelve Oaks Mall, and Great Lakes Crossing.
- Regional linkages are less than ideal, and are restricted by area lakes, railroads, established community street patterns and natural terrain.

When considering various project elements for the PDA, Waterford Township and the Owners' Consortium should strive for a project with benefits that clearly outweigh the risks. It may be acceptable to pursue a high-risk project, if the benefits are also measurably high. And, more energy and resources should be allocated to mitigating the higher risk projects. Projects with high risk but low benefit should not be given priority.

EXHIBIT 2. Benefits v. Risks Grid



3.3 Trade Area Delineation

To measure demand, gap and opportunity, it is necessary to have a clear understanding of a project's potential trade area, including its population, income and expenditure potential. When delineating the trade area for the PDA, we carefully considered a number of factors, including road linkages and the locational strategies of various categories listed in the previous section of this report.

Destination retailers, hotels, community arenas, businesses and services achieve higher sales by geographically expanding their trade area. The larger the trade area, the more households, income and expenditures available to support the new business. A trade area can geographically shift based on the project size, tenant mix, physical configuration, attractiveness, walkability, marketing and related strategic considerations.

Some of the most significant factors influencing a trade area size are access, convenience, visibility, and linkages. Projects with visibility and access to major interstates, interchanges or highways tend to have the largest trade areas, whereas community centers in residential neighborhoods will have small trade areas.

Anchor stores and other destination retailers like automotive dealerships and furniture stores always have larger trade areas than convenience stores like gasoline stations, fast food restaurants and pharmacies. For this project, we have delineated a trade area that represents an average for retailers with 20,000 square feet or more, and for destination entertainment venues (theaters, community arenas, etc.). The trade area represents 70 percent of transacted retail sales for these retailers, and 80 percent of new resident families in housing units.

The objectives include creation of a trade area that is geographically large and that captures the high density urban areas of the City of Pontiac. Household income levels are lower in Pontiac than Waterford Township, but the powerful combination of household density and moderate income generates an impressive pool of expenditure potential.

Residents throughout the City of Pontiac are within the project's primary trade area, that linkages between the project and downtown Pontiac must be emphasized and strengthened along Elizabeth Lake Road. East-West Connectors will be essential. The best way to capitalize on resident households and expenditures of Pontiac residents is to ensure that important components of the project front *onto Elizabeth Lake Road*, with minimal set-backs and good visibility and access to traffic along that important connector.

Elizabeth Lake Road is equally important for maximizing the trade area to the west. Although household densities are relatively lower around the lake communities of Waterford Township, the combination of low density with higher income levels also generates considerable expenditure potential for the project. Whereas households in Pontiac already have easy access to regional malls like Somerset Collection and Great Lakes Crossing, households in western Waterford Township are under-served by retail - with the exception of some newer big-box chains planned for construction along the western M-59 corridor.

3.4 Understanding Patron Groups

When considering the resulting trade areas, it is also important to understand different patron groups that are typically targeted by retailers and sports venues, as they have a direct bearing on gross expenditures and project potential. This section of our report compares two unique groups of patrons, visitors and shoppers, as follows:

Patron Group 1: Assuming that the project is developed to create a regional draw, it is hoped that patrons will travel from a long distance to visit the destination. Since they have already made the trip, logic suggests that they will extend that trip to maximize the reward enjoy as much as possible. And by extending the duration of their trip, patrons increase their expenditures on entertainment venues and daily needs like travel accommodations, eating establishments, and conveniences.

However, those same patrons visit the project only occasionally, perhaps as infrequently as once a year. Therefore, annual expenditures are limited to that one trip, which also limits their total expenditures. Ideally, even though each patron visits the destination only once a year, the sheer volume of attracted patrons should generate a good level of revenues. This holds true only if the project's location enables it to achieve a regional draw.

Patron Group 2: Ideally, the project also has a local appeal and provides a good variety of choices for resident families. At first, many of these patrons will visit the project just a few times, staying a relatively short amount of time, visiting only a few stores, not spending much. However, they are also paying close attention to the opportunities and choices, and if they have an enjoyable experience that promises future rewards, then they will return.

Under the best scenario, the majority of local patrons will a) return to the project with increasing frequency, b) bring friends and other family members with them, b) extend the duration of their trip, c) cross shop between a wider number of similar establishments, d) cross-over into a larger variety of establishment types, d) stay longer within various establishments, and e) spend more.

Combined, these two groups of patrons comprise the optimal scenario for a retailer. However, if one group of targeted patrons is expected to generate lower gross revenues than the other, then the project strategy should be adjusted to accommodate the more dominant group. There is no assurance of the theory "build it and they will come".

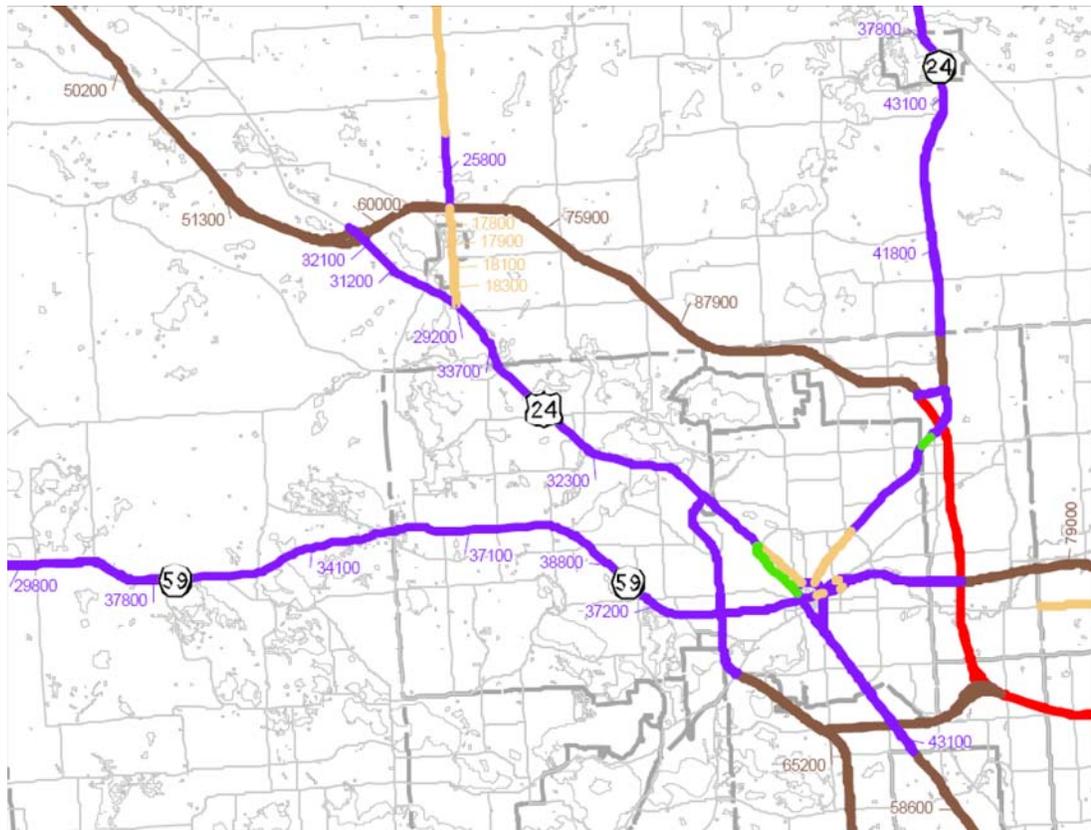
With this background, the PDA is not a mega-regional location, and in fact, is not even a location that can effectively serve the Greater Detroit Metropolitan Area. Rather, the project's disadvantaged location relative to highway linkages truly makes it a sub-regional destination. Accordingly, the project must focus on appealing to local resident patrons.

The PDA can certainly serve all of Waterford Township, Waterford, Clarkston, Holly, Fenton-Linden and Pontiac. Resident patrons of these communities will comprise 70 percent of the project's total potential, with the remaining 30 percent representing import or inflow.

It can easily be argued that patrons residing in Rochester Hills, Royal Oak, Novi or Detroit might visit the PDA. However, they will do so infrequently and will not be significant contributors to gross revenues. The volume of patrons visiting the project from beyond sub-market will be insufficient to justify a geographic expansion of the trade area, and insufficient to justify regional destinations like minor league stadiums.

3.5 Traffic Improvements

Today, the Planned Destination Area benefits from favorable traffic volumes that converge upon the intersection of Telegraph Road and Elizabeth Lake Road from a number of directions (see MDOT map, below). However, we also know that linkages throughout the area are less than ideal. In fact, it can be easily theorized that a portion of these vehicles are dual-trip patrons. That is, a single patron might pass the PDA more than twice a day because alternative routes are limited between Waterford Township, Pontiac and the Greater Detroit metropolitan area.

EXHIBIT 3. Average Daily Traffic Counts (Courtesy, www.MDOT.com)

Regional transportation linkages to the PDA are key to its long-term economic viability, and will directly influence the scale and opportunity for destination types of uses. It is certainly relevant to consider various transportation improvements that might improve access to significant sporting venues like minor league stadiums. These proposals seem increasingly nebulous in the current economic climate, and are beyond the control of Waterford Township but are worth mentioning as potential long-range regional transportation solutions:

- Proposed SpeedLink rapid bus transit plan, essentially a “Train on Tires”, Bus Rapid Transit.
- Proposed restructuring of the region’s two bus systems which currently struggles with logistical and coordination challenges.
- Proposed light rail from downtown Detroit to Pontiac.
- Potential upgrades to the downtown Pontiac Amtrak Passenger Station.
- Potential redevelopment of the Pontiac Transportation Center by MDOT, where Greyhound buses stop.

Meanwhile, even if these transportation improvements are completed successfully, all of the direct routes from Interstate 75 are still constrained by water bodies, lakes, railroad lines and existing uses. These features make it logistically difficult to create the direct I-75 connectors, which would be necessary for the PDA to have direct regional access.

The cumulative benefits of smaller transportation improvements can also have a positive effect, although to a lesser degree than a direct interstate connector. Here are some preliminary suggestions for consideration:

- Realignment of Gray Woods Lane, Gallogly Road and Newark Avenue to extend North Telegraph Road north to Baldwin Avenue.
- Creation of a new four-way signalized intersection at North Telegraph Road and West Walton Boulevard.
- Realignment of North Telegraph Road along County Center Drive West / Summit Drive, and slicing through the project site at south-east angle and linking with the existing intersection of South Telegraph Road and Elizabeth Lake Road.
- Reconfiguration of the intersection at South Telegraph Road and Elizabeth Lake Road.

The secondary objective in these recommendations is to shift the PDA's "center of gravity" or pivot-point to the west, providing more flexibility in designing frontages along South Telegraph Road. However, the center retail core must also be positioned as close to Elizabeth Lake Road as possible, and should not shift north along the existing or potential realigned Telegraph Road.

We also recommend that Waterford Township and the Owners' Consortium approach other governmental agencies such as Oakland County, the Road Commission for Oakland County, the Michigan Department of Transportation, the City of Pontiac, Bloomfield Township, and Independence Township, to formulate an aggressive way-finding program along a number of important routes. These include the following, recognizing that these are subject to revision based upon professional input from the township's planners:

- M-59 and Elizabeth Lake Road intersection;
- Dixie Highway at Scott Lake Road and at Telegraph Road;
- Access to the Planned Destination from Pontiac Lake Road;
- The downtown Pontiac loop west and south-bound;
- Baldwin Avenue south of Great Lakes Crossing;
- M-59 near the Pontiac Silverdome;
- Ortonville Road at the Dixie Highway; and
- Square Lake Road at South Telegraph Road.

4.0 A REGIONAL DESTINATION

4.1 Introduction

During public meetings facilitated by Harley Ellis Devereaux and JJR, community stakeholders expressed considerable interest in creation of a mixed-use destination with entertainment venues, including sports. Other consultants retained by the Waterford Township EDC are now actively researching the concept of a minor league team, and promoting public/private partnerships to achieve some of the objectives of the Township's Planned Destination Area (PDA).

We are confident that there is sufficient demand, gap and opportunity for a minor league team in the northwest sector of the Greater Detroit market. However, we are not convinced of the viability of a minor league sports arena at the specific location of the PDA, simply because of the locational challenges associated with access.

Even with the PDA's disadvantaged location, it makes smart sense to test the concept with team owners and investors who may have a number of locational options to choose from. If there is verifiable interest from a team, then we recommend that the owners' consortium, independently or in cooperation with the Township, also conduct a complete Economic and/or Fiscal Impact Analysis for the venue, to ensure that revenues and economic impacts reasonably justify the project costs, and that the benefits will clearly outweigh the risks.

4.2 Other Venues and Attractions

Minor league sports arena aside, there is clearly an un-met demand for other types of community-oriented venues in this sector of the Greater Detroit market. We evaluated a number of other sports destination in the State of Michigan, and considered a number of key factors in our analysis, including project size, scale, amenities, mix of uses, and location.

Combined with our assessment of other venues in the market, we recommend entertainment and recreational uses in the PDA with an emphasis on sports. Following is a list of recommended amenities for the PDA, along with some estimated sizes in square feet:

EXHIBIT 4. Waterford Township PDA - Recommended Amenities

Recommended Indoor Amenities	Facilities Sq. Ft.
Phase I - Waterford Township PDA	
Driving Range; Golf Simulator	40,000
Basketball, Volleyball Courts	40,000
Tennis, Handball, Racquet Ball Courts	15,000
Community Ice Arena (relocation)	15,000
Amusement Arcade, Go-Karts	15,000
Conference Space; Banquet Hall	15,000
Fitness and Weight Training Facility	10,000
Indoor Race / Running Track	5,000
Rock Wall Climbing / Training Facility	5,000
Modern Skate Park	5,000
Subtotal	<u>165,000</u>
Phase II - Waterford Township PDA	
Sports Arena - Two Sheets, Flat Surface Arena	40,000
Olympic Size Swimming Pool	15,000
Subtotal	55,000
Total Project Build-Out	<u><u>220,000</u></u>
Recommended Outdoor Amenities	
Tennis Courts	nc
Bike and Fitness Path	nc
Baseball / Softball Park	nc
Bandstand, Festival Market	nc

nc indicates not comparable.

The square footage totals exclude ballfields, parks, boulevards, pavilions, bandstands, paths, and other green space.

Assuming that a sports arena could approach an attendance of 4,500 per event, and that the facility has the capacity would host to about 200 events annually, and further assuming an average ticket price of \$12, this would suggest an annual revenues *capacity* of \$10.8 million.

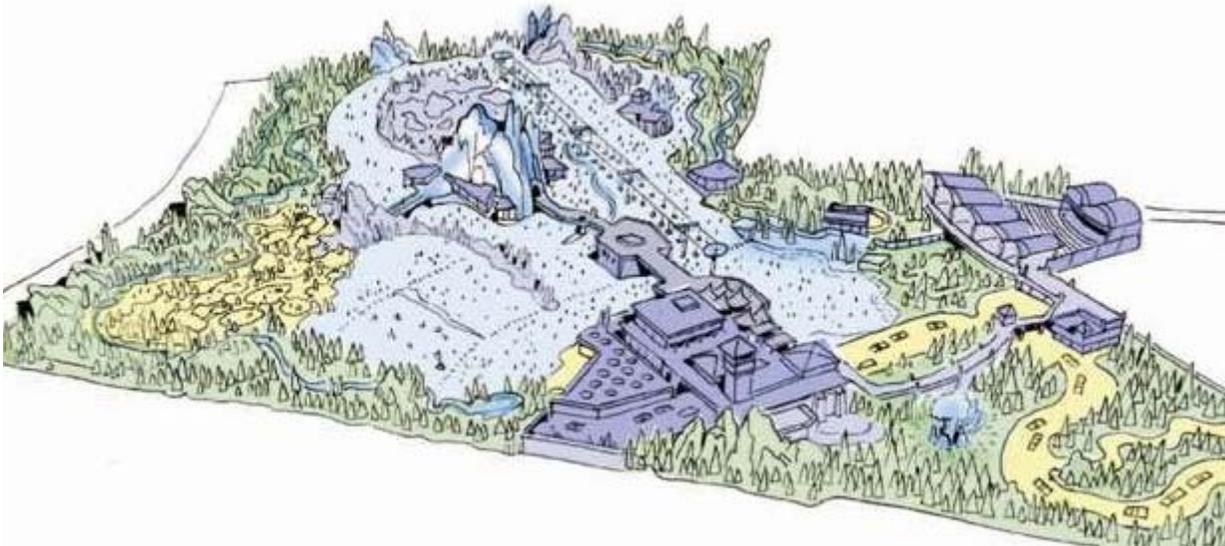
However, it is generally understood that a sports arena itself is not a profit-generating business, and that communities typically strive to pay off operating costs with the revenues, to break even. The arena ideally serves as a catalyst for growth in other economic sectors, including job creation, retail, and generating demand within the local housing market.

For the Sports Arena, we recommend building the facility after the “Phase I” facilities are built. This will help reduce risk and gauge the momentum and potential size and scale for which the arena should be built. We do recommend designing the arena to serve as a exhibition and banquet hall as well; if an arena is designed to include these elements, we also recommend that additional analyses be conducted to determine the minimum area necessary to contain all of the project elements.

Early discussions of the PDA also included repeat references to the concept of an indoor all-season snowplex. To our knowledge, there currently is no facility in Michigan or even in the Upper Midwest that offers indoor snowboarding or downhill skiing. However, a similar project is now being planned to open late 2008 in Dallas, Texas, called the Coolzone Winterplex.

The Coolzone Winterplex uses a technology developed by Briton Engineering in Great Britain called Snowflex. Designs call for the Winterplex to resemble an alpine skiing village with hotel accommodations, fine dining and retail. The park’s main attraction will be a 60-acre, 20-story outdoor ski and snowboard mountain complete with chair-lifts and a snowboard park. The park will also feature two ice rinks, an outdoor ice trail, an outdoor concert venue, rock climbing and rides.

EXHIBIT 5. Planned Coolzone Winterplex - Dallas, Texas



The acreage for recreational and sports venues could be allocated with about 4 acres for the flat surface ice arena, 8 acres for a ballpark and 40 acres for retail. This would total just 52 acres, which is small compared to the total 250 acres that is available. For the Indoor Ski Facility, it may be reasonable to approach Boyne Company, which is now the industry leader and owns both Bavarian Village and Big Sky.

The precise size of the facilities is of less a concern than the mix and scale. Assuming a good diversity of venues, each facility for each category of use may vary between 10,000 and 50,000 square feet. However, we do not recommend that space be swapped from one venue to justify a larger venue with less variety. The emphasis should be on striking a good balance rather than striving for a magnitude of space.

For an indoor golf driving range and simulation, we recommend against a conventional dome like the one south of Great Lakes Crossing in Auburn Hills and at the Oakland Yard facility in Waterford. A bricks-and-mortar facility is recommended with attention to aesthetics and a footprint that might be conducive for other (and future) venues that might benefit from the flex-space and alternative venues.

4.3 Marketing Recommendation

The most successful regional destinations - sports, retail, entertainment or other related uses - tend to have attributes that clearly differentiate them from community and neighborhood amenities like the Lakeland Tri Arena. A successful project will effectively convey excitement, action, variety and entertainment. This can be conveyed by appealing mostly to the senses of sight and sound, but also touch, taste and smell.

For example, a food court with neon lights, upbeat music, circus carousels, free samples, exotic cuisine and a heady aromas of caramel can be quite irresistible. For a regional destination in a challenging location like the PDA, a similar result must be achieved at a larger scale. To accomplish this, it is often helpful to target a unique Theme, Concept, Identity or other Imagery that does *more* than convey a “Sense of Place” or “Sense of Having Arrived Somewhere.”

The PDA project must have a Theme that is easy for local residents to identify with, easy for visitors to understand, easy for patrons to remember, and that is action-oriented. To convey a Theme, it is obviously helpful to have a Slogan, or a simply phrase of two or three words. To convey action, the Slogan should include a verb; and a slogan with just an adjective will fall flat.

We are specifically recommending that the owners’ consortium, in cooperation with the Township, develop a theme and a slogan that promotes a synergistic, dynamic and phased PDA with a mixed-use, modern destination for entertainment, shopping, and living.

5.0 SPORTS COMPARABLES

5.1 Introduction

This section of our report provides brief descriptions of several sports and events centers that are established in the region and provide good comparisons for scale, amenity mix and format. We are not recommending that these project be replicated with Waterford Township's Planned Destination Area (PDA). Rather, they are intended to provide a measure of what is realistic. Here is a list of all the amenities offered by all of these analogs:

Selected Amenities among Analog Destinations

- Minor League Soccer Stadium, Soccer Fields
- Minor League Hockey Stadium, Hockey Arena
- Minor League Baseball Stadium, Softball Fields
- Pro Shop, Sports Memorabilia Shops
- Flag Football Field
- Gymnastics Facilities
- Cafe, Sports Bar and Grill
- Arcade and Go-Carts
- Meeting and Party Rooms
- Concert Hall, Community Theater
- Banquet Hall, Catering Facilities
- Exhibition, Convention Space
- Indoor Track, Olympic Sized Swimming Pool
- Racquetball and Volleyball Courts
- Fitness and Training Center
- Golf Dome, Simulation

The concept of a minor league hockey or baseball stadium has been mentioned numerous times during the initial stages of the PDA community workshops. For this reason, the venue warrants some closer scrutiny. In our review of various analog stadiums, here is a summary of facilities and sizes, measured by the number of seats:

Dow / Wendler Arena - Saginaw	5,500 seats
Dow Diamond - Midland	5,500 seats
L.C.Walker Arena - Muskegon	5,100 seats
Wings Stadium - Kalamazoo	5,100 seats
Wuerfel Park - Traverse City	4,660 seats
Perani Arena - Flint	4,021 seats
Homer Stryker Field - Kalamazoo	4,000 seats
Compuware Arena - Plymouth	3,800 seats
Great Lakes Sports City - Fraser	3,400 seats
McMorran Place - Port Huron	3,373 seats

Based on this assessment it would be reasonable to target a stadium of at least 3,400 seats, but no more than 5,500.

5.2 Minor League Sports - Comparables

The following section of our report describes sports and entertainment venues in the State of Michigan. We have also provided several venues that provide elements that are proposed for the planned destination area. We have intentionally provided a range of examples that are similar in size to the PDA.

Compuware Sports Arena - Plymouth, Michigan

The Compuware Sports Arena is a multi-purpose sports facility located in Plymouth Township, Michigan. The 3,800 seat arena is home to the Detroit Ignition, a Major Indoor Soccer League team, as well as the Plymouth Whalers minor league hockey team of the Ontario Hockey League. There has been some local speculation that the team would be interested in relocating from the Compuware Arena to a new facility within metropolitan area. (See www.compuwarehockey.com)

L.C. Walker Arena - Muskegon, Michigan

The L.C. Walker Arena is a 5,100-seat multi-purpose arena in Muskegon, Michigan. It is currently home to the Muskegon Fury minor league hockey team of the United Hockey League and in 2007 is planned to be home to the Muskegon Thunder of the Continental Indoor Football League. The arena contains 17,000 square feet of arena floor space, and can seat between 5,178 to 6,000 for basketball, up to 5,600 for concerts, and 5,000 for ice shows and wrestling. A portion of the arena is also used for conventions, banquets, meetings and other special events. (See www.lcwalkerarena.com)

Dow Event Center - Saginaw, Michigan

The Dow Event Center is located in downtown Saginaw, Michigan. The center consists of three parts: Heritage Theater, a meeting facility formerly known as Unity Hall, and Wendler Arena, an ice rink. It also houses the Saginaw Spirit minor league hockey team of the Ontario Hockey League. Wendler Arena has a capacity of 7,600 people for concerts (without the ice), and 5,500 for hockey games. Heritage Theater has a capacity of 2,276 people. (See www.doweventcenter.com)

Wings Stadium - Kalamazoo, Michigan

The 51,000 square foot Wings Stadium is a 5,100 seat multi-purpose arena in Kalamazoo, Michigan. The arena is home to the Kalamazoo Wings, a minor league ice hockey team in the United Hockey League. As a concert venue Wings Stadium can seat up to 8,023; as a convention center it can accommodate 17,000 square feet of trade show, exhibit space, hockey, conventions and other events. The Stadium also has a 3,166 square foot viewing area. (See www.wingsstadium.com)

Van Andel Arena - Grand Rapids, Michigan

The Van Andel Arena is a 10,834-seat multi-purpose arena in Grand Rapids, Michigan. It is home to the Grand Rapids Griffins minor league ice hockey team of the American Hockey League, and the Grand Rapids Rampage Arena football team of the Arena Football League. As a concert venue Van Andel Arena seats 12,858 for end-stage shows, 13,184 for center-stage shows. The arena features 9,886 permanent seats and 44 luxury suites. (See www.vanandelarena.com)

Perani Arena and Event Center - Flint, Michigan

The Perani Arena and Event Center (originally IMA Sports Arena) is located in Flint, Michigan. It is the home of the Flint Generals minor league hockey team of the United Hockey League. The main arena of the complex, the largest exhibit hall of complex, features 29,280 square feet of space and can accommodate 4,021 for ice hockey and 4,567 for concerts, plus 400 in standing room. The second arena in the complex features 27,206 square feet of space. Both arenas are frequently used for trade shows, hockey games, concerts and other events. (See www.peraniarena.com)

McMorran Place - Port Huron, Michigan

McMorran Place is a multipurpose convention center located in Port Huron, Michigan. The facility is made up of three main parts: The Arena, The Pavilion, and The Theatre. The arena seats 3,373 for ice hockey and indoor football and 4,599 for concerts. It is the home of the Port Huron Flags minor league hockey team of the United Hockey League, and the Port Huron Pirates indoor football team. It is also used for conventions, circuses, ice shows, trade shows, and banquets, among other events. The Pavilion features 25,000 square feet of space for sporting events, trade shows, banquets, meetings, and conventions. The 1,100 seat Theatre is used for Broadway shows, movies, concerts, and other stage events. (See www.mcmorran.com)

Great Lakes Sports City - Fraser, Michigan

Great Lake Sports City is a multi-purpose sports and entertainment complex in Fraser, Michigan. The complex has 5 sheets of ice and seating for up to 3,400. The arena was home to the now inactive Motor City Mechanics of the United Hockey League. (See www.glsportscity.com)

Oldsmobile Park - Lansing, Michigan

Oldsmobile Park is located in Lansing, Michigan and has a seating capacity of 11,215 fans. The park is home to the Lansing Lugnuts minor league baseball team of the Midwest League. In addition to being the home of the Lansing Lugnuts, the stadium also hosts concerts, light shows and other special events. (See www.oldsmobilepark.com)

Wuerfel Park - Blair Township (Traverse City), Michigan

Wuerfel Park is a baseball stadium located near Traverse City, Michigan and is the home field of the Traverse City Beach Bums minor league baseball team. The stadium has 4,660 hard seats and a capacity exceeding 6,500 people. (See www.traversacity-beachbums.com)

Fifth Third Ballpark - Comstock Park (Grand Rapids), Michigan

Fifth Third Ballpark is a baseball stadium located in Comstock Park, Michigan, just north of Grand Rapids. Fifth Third Ballpark is home to the West Michigan Whitecaps, a professional minor league baseball team, and class A affiliate of the Detroit Tigers. It currently has a seating capacity of 11,123, including 8,823 fixed chairback seats. In addition to baseball, Fifth Third Ballpark is also used for other events including motor-sports and concerts, where it seats up to 15,000. (See www.whitecaps-baseball.com)

Dow Diamond - Midland, Michigan

Dow Diamond is a minor league baseball stadium located in Midland, Michigan. It is the home of the Single-A Great Lakes Loons of the Midwest League. The park has a capacity of 5,500 seats and is set to open in April 2007. (See www.loons.com)

Homer Stryker Field - Kalamazoo, Michigan

Homer Stryker Stadium is a minor league baseball stadium in Kalamazoo, Michigan. It is primarily used for baseball, and is the home field of the Kalamazoo Kings of the Frontier baseball league. The stadium has a seating capacity of 4,000. (See www.kalamazookings.com)

Centerpoint Complex (Proposed) - Pontiac, Michigan

A current proposal calls for a Minor League, indoor soccer field at the Centerpoint complex at the southern edge of Pontiac. As described by the media, “the Ultimate Soccer Arenas will be home to the Michigan Bucks of the United Soccer League's Premier Development League, a minor league affiliate for the Major League team the Columbus Crew.” (The Oakland Press, February 23, 2007).

Ultimate Soccer announced the plans at the 15.8 acre construction site, located on South Boulevard and west of Opdyke Road. The project is expected to proceed quickly, with completion scheduled as early as July 2007.

When completed, the 266,400 sq. ft. soccer stadium will be the largest indoor soccer facility in North America. The facility will include four buildings with three soccer arenas and a service area. Each steel construction building will 82-foot high ceilings, will be fully insulated, complete with air conditioning and heat, and have state of the art lighting like daylight.

Two of the fields will be 110 yards by 40 yards, and the third field will be 85 yards by 47 yards. Each field can also be divided in half to create a total of 6 fields at a given time. There also will be mezzanine seating for spectators, pro shop, arcade room, party room that seats 1,600 people, and a speed, strength and agility training center.

5.3 Other Sports Destinations

Capital Centre / Summit / Aim High - Lansing, Michigan

Capital Centre is a 180,000 square foot multi-sport complex that includes The Summit and Aim High sports facilities. The Summit offers Ice Hockey, Soccer, Flag Football, Softball, and Gymnastics to name a few. The Aim High facility offers multiple basketball courts, a fitness center, cafe, and video game arcade. Both facilities host tournaments for team and individual sports for a wide range of age groups. (See www.capitalcentre.com)

DeltaPlex - Grand Rapids, Michigan

The DeltaPlex is located in Grand Rapids, Michigan and is designed for Concerts, Exhibitions, Trade Shows, Business Meetings and Sporting Events. The DeltaPlex can stage virtually any touring musical event in its 3,300 plus seat capacity arena. (See www.deltaplex.com)

Northwest Sports Complex - Spooner, Wisconsin

The Northwest Sports Complex is located in Spooner, Wisconsin. The complex includes a sports bar and grill, full service banquet and catering service, 6,000 square foot fitness and plyo-metric center, an indoor track, a near Olympic size pool, and indoor ice arena as well as racquetball and volleyball courts. (See www.nwsportscomplex.com)

Oasis Golf Center - Plymouth, Michigan

The Oasis Golf Center is a golf practice center in Plymouth, Michigan. The Center is provides a heated dome for golfers to practice during inclement weather. The dome features 55 tees, and offers professional instruction from PGA and LPGA golf professionals. (See oasisgolfcenter.com/ogc/)

Helpaer Field - Milwaukee, Wisconsin

Helpaer Field is a youth baseball and softball facility in Milwaukee, Wisconsin. The park features 502 bleacher seats and additional concourse seating for 220. Helpaer Field plays host to little league games and is the premier location for youth baseball and girls softball in the State of Wisconsin. (See milwaukee.brewers.mlb.com/mil/ballpark/helpaer_field.jsp)

Birch Run Expo Center - Birch Run

The Birch Run Expo Center is a 2,500 seat multi-purpose arena in Birch Run, Michigan. It was the home of the Great Lakes Storm from 2002 to 2005. National Hockey League branded themselves as a provider of local ice arenas (NHL Skate). They built the first one in Birch Run, an area already served by leagues in Flint and Saginaw. The arena lasted for one winter before closing in bankruptcy. It has since been converted to a general purpose exhibit hall called the Birch Run Expo, which hosts small shows and events. (See www.birchrunexpoc.com)

The Cage Fieldhouse - Swartz Creek

The Cage Fieldhouse is located in Swartz Creek, Michigan just west of Flint. The facility is primary used for youth basketball tournaments and instruction. (See www.cagesports.com)

Joe Dumars Field House - Shelby Township

The Joe Dumars Fieldhouse, an indoor sports and entertainment facility, has two locations in the Metro-Detroit area, both in Shelby Township in Detroit. The fieldhouse offers basketball courts, volleyball, roller hockey, an 18 hole indoor miniature golf course, a 25 foot rock climbing wall, laser tag arena, 33 foot inflatable Giant Slide, and a video game arcade. (See www.cagesports.com)

Rock Financial Showplace - Novi, Michigan

The Rock Financial Showplace is a conference and exposition center, located in Novi, Michigan. The center features 320,000 total square feet of total space including 214,000 feet of exhibition space, Full service food operations including the ability to serve 2,000 in a sit down banquet setting, 40,000 square feet of meeting space including 30,000 net square feet of Banquet space and nine additional meeting rooms. (See rockfinancial-showplace.com)

Other Destinations

Finally, we also research a variety of other destinations serving Oakland County and surrounding markets, but excluded them from our final list of direct comparables, for a variety of reasons. These did not make the cut because they were too small (like the Cranbrook Art Museum), too large (The Palace), lacked a flat surface area (DTE Energy), or lack indoor space (The Silverdome). Here is a complete list of venues that we considered:

Other Area Destinations

- Cranbrook Art Museum - Bloomfield Hills
- Walter P. Chrysler Museum - Auburn Hills
- Ice Mountain Arena Complex - Burton
- The Palace of Auburn Hills - Auburn Hills
- DTE Energy Music / Pine Knob - Clarkston
- Baldwin Theater of Royal Oak - Royal Oak
- Clarkston High School - Clarkston
- Meadowbrook of Oakland University - Rochester
- Canterbury Village - Lake Orion
- Phoenix Plaza - Downtown Pontiac

We also considered the mega-regional draw of destinations, including the following:

- Cobo Center, Ford Field, Comerica Park - Detroit
- Renaissance Conference Center, The Max - Detroit
- The Palace - Auburn Hills
- The Silverdome - Pontiac

Retail destinations are treated separately in our work, as part of a comprehensive supply analysis. The retail analysis considers the influences of Great Lakes Crossing, Twelve Oaks Mall, Somerset Collection, the Village at Rochester Hills, and similar types of shopping destinations.

5.4 National Destination - Chelsea Piers

During early planning meetings for the Planned Destination Area, it was suggested that other mega-regional destinations might represent analogs or comparables. Specifically, Chelsea Piers Sports and Entertainment Complex in New York has been mentioned on several occasions. This project serves an large urban market with high population density and Atlantic Ocean waterfront, so is not a true comparable. However, certain elements of that attraction may be applicable to Summit Place, in an edited down format.

The Chelsea Piers Sports & Entertainment Complex is a 30-acre waterfront sports village located between 17th and 23rd Streets along Manhattan's Hudson River. This \$120 million, privately-financed project has transformed four historic, piers into a major center for public recreation and waterfront access. The Complex is essentially a large “Creative Center” that features dining, golf driving range, health club, ice rinks, basketball and volleyball courts, bowling alley, film studio, and event center.

6.0 MUSIC VENUES

The majority of sports and entertainment venues in a Planned Destination Area (PDA) should be revenue-generating. Once these are relatively certain, complementary venues can be added to the mix, enhancing the project's overall appeal to visitors. Examples include bandstands, plazas, parks and other open space that encourage interaction, socializing, relaxation and enjoyment.

In our assessment of the PDA, we included a review of existing music venues throughout the region, including the following:

Existing Music Venues

- Shane Park - Birmingham
- Meadowbrook Theater of Oakland University - Rochester
- Phoenix Plaza - Downtown Pontiac
- The Palace - Auburn Hills
- DTE Energy - Clarkston
- Andiamo Celebrity Showroom - Warren
- Freedom Hill Amphitheatre - Sterling Heights

We also noted that the nearest of these, Phoenix Plaza in downtown Pontiac, has been marginally at best. Some lessons that can be learned from Pontiac's experience include the importance of a) having a regional draw with dominant destinations, b) smart design that provides visibility and easy access by the general public, and c) low-maintenance construction.

EXHIBIT 6. Example: Parc International Plaza in Lafayette, Louisiana



6.1 Meeting and Exhibitor Space / Flat Surface Arenas

Acknowledging that sports arenas are not necessarily profitable venues, there is also some natural interest in exploring multi-purpose uses for sports facilities to help offset the costs. It has also been noted that large, flat-surface, indoor public spaces are limited in this sector of the market, and there is a clear demand for facilities that can accommodate at least 300 people, and that also carry a liquor license.

Flat surface facilities are typically in demand for annual community events like craft shows, flower shows, dance competitions, religious organizations, small trade shows and exhibits, conferences, retreats. Our assessment of the market includes an inventory of existing facilities that are being used to host events like these, as follows:

Existing Event Facilities

- Delta Plex
- Expo Center - Novi
- Expo Center - Birch Run
- The Palace - Auburn Hills
- The ISD Building - Waterford Twp.
- Clarkston High School
- McMorran Place

Meanwhile, there is also a future Banquet Hall planned in Independence Township, at the intersection of Sashabaw and Clarkston, and next to Pine Knob. Even with this new facility, there appears to be sufficient justification for another flat-surface facilities in the PDA, and particularly if it is a multi-purpose use that incorporates sufficient floor area for a minor-league sports arena.

7.0 RETAIL ANALYSIS

7.1 Introduction

This portion of our report provides recommendations for retail in Waterford Township's Planned Destination Area (PDA). We have conducted a comprehensive, rigorous and detailed analysis of the gap and opportunity for retail, and our recommendations are more solid than the tenuous evaluation of minor league sports arenas.

We conducted a complete supply-demand analysis, studied resident expenditure patterns, and tested the trade area for gap within 100 NAICS retail categories, as classified in the North American Industrial Classification System within the Economic Census. Our model includes a detailed look at the following variables, and for each of the 100 categories:

- Aggregate Annual Sales
- Number of Establishments
- Sales per Establishment
- Sales per Capita
- Market Share Capture Rates
- Aggregate Square Feet
- Sales per Square Foot

We also utilized data provided by the International Council of Shopping Centers (ICSC), demographic forecasts provided by ESRI, Inc. (a vendor similar to Claritas), the Bureau of Economic Analysis (www.bea.gov), and the Bureau of Labor Statistics (www.bls.gov). The ICSC data is particularly interesting, so we have provided it in the attached appendix to our report (see Appendix 1.3)

7.2 Retail Recommendations

Regardless of the area developed for retail within the PDA in the past, the current market opportunity for retail is now significantly less, in the magnitude of 620,000 square feet. This reflects current competitive levels in the market, established shopping patterns, road linkages and access, and the expenditure potential of resident shoppers. If the project achieves favorable import by adding destination sports venues, then the "stretch" scenario for retail is plus 30 percent, or +186,000 square feet.

The 620,000 figure includes a number of brands that a) are already in the market and should be retained, b) have recently left the market and should be recruited back, and c) new brands. Existing anchors that should be retained include brands *like* Target, Kohl's, Gander Mountain, and Steve & Barry's, plus most of the tenants (see Appendix 1.3). It is recommended that the owners' consortium seek to relocate these into new facilities.

Brands that have recently left the market and should be brought back into the reconfigured retail area include brands *like* Bath & Body Works, Coffee Beanery, Pearle Vision, D.O.C. Eyeworld, Radio Shack, Suncoast Motion Picture Co., Don Pablo's and Sunglass Hut. Stores that have remained and should be retained include brands *like* Family of Pets, Finish Line, Foot Locker, GNC, MasterCuts, Mrs. Fields Cookies, Pacific Sunwear and Things Remembered.

In recruiting new brands, the emphasis should be on recruitment of middle-moderate brands that celebrate lifestyle choices, rather than providing clothing, boutique items or tourist attractions. Lifestyle stores support our use of discretionary time, with an emphasis on sports, fitness, outdoor recreation, crafts, hobby, pets, books, music, movies, electronics, games, dining, personal care and leisure.

To clarify further, the recommendations specifically do *not* include a) upscale home furnishings *like* Anthropologie, Crate & Barrel or Smith & Hawkin, b) upscale apparel brands *like* Coldwater Creek, bebe or Ecco Shoes, c) boutique stores that cater to upscale tourists, d) mega-regional destinations *like* IKEA or Galyan's, and e) outlet malls.

We recommend including full-line department stores *like* Macy's, Sears or J.C. Penney as part of a stretch scenario, where up to an additional 186,000 square feet is added to the core 620,000 square feet. If the stretch scenario is pursued, then the retention strategy should focus on new facilities for anchors *like* Best Buy (30,000 sq. ft.), J.C. Penney (100,000 sq. ft.), Macy's (160,000 sq. ft.), Office Max (25,000 sq. ft.), and Sears (100,000 sq. ft.).

If the redeveloped PDA retail component incorporates at least one other anchor comparable *like* Target and/or Kohl's, plus a good tenant mix of lifestyle stores, then there will be an economically sustainable retail component that does not require retaining every existing brand. Alternatively, if an anchor *like* Target and/or Kohl's cannot be retained, then other existing anchors *like* Best Buy and/or J.C. Penney should be retained.

Two other use categories warrant discussion, including automotive dealerships and traveler accommodations (hotels and motels). Automotive dealerships represent a unique retail category that can be self-sustaining in the existing or redeveloped retail environments. They can help add to the PDA's regional draw as long as their locations do not interrupt the flow of traffic and access to other shopping attractions. All existing automotive dealerships should be retained in locations that complement the PDA.

Hotels and motels have two clear strategies when choosing a location, including 1) locations with excellent highway visibility, even if access is imperfect, and 2) location proximate to other hotels and motels, where the brands can cross-compete for patrons seeking a room without a reservation, including truckers and vacationing families. The PDA currently offers neither of these attributes.

Some brands (like Holiday Inn Express) will break out of the formula if other advantages prevail - like proximity to airports. However, it is considered unlikely (although not impossible) that a leading hotel chain would locate in the PDA.

8.0 RETAIL COMPARABLES

8.1 Introduction

Existing competition is an important part of the retail supply-demand analysis. Resident shoppers are willing and able to spend only a portion of their income on various retail categories, and the more the competition for those expenditures, the more difficult it is for new stores to achieve sales targets. At least part of Summit Place's demise can be attributed to new competition in the market, particularly from Great Lakes Crossing.

This chapter of our report provides a very brief description of existing and proposed shopping destinations considered in our supply analysis for Waterford Township's Planned Destination Area (PDA). Existing and recent development projects include the following:

Competing Regional Shopping Destinations

- Great Lakes Crossing - Auburn Hills
- Twelve Oaks Mall - Novi
- Downtown Pontiac
- Downtown Bloomfield Park
- Tel-Twelve Mall - Southfield
- Village at Rochester Hills
- Universal Mall - Warren
- Wonderland Village - Livonia

The Detroit News recently released some performance figures for regional shopping centers in the market, as shown in the following figure. Somerset Collection is clearly the premier mall, with 2004 sales per square foot (productivity) of at least \$600. Somerset is followed by Oakland Mall (\$450+ per sq. ft.), the relatively new Village at Rochester Hills, Lakeside Mall and Twelve Oaks (\$400+ per sq. ft.). Summit Place takes last place in these malls, graciously reported as "less than \$300" per square foot.

EXHIBIT 7. Detroit Regional Shopping Centers - Sales Productivity Comparison

Mall	Owner	Year built	Gross leasable space in sq. ft.	Stores	Anchors	Renovations	2004 sales per sq. ft.	1999 sales per sq. ft.
Eastland Center, Harper Woods	Shopco Advisory	1957	1.5 million	130	Marshall Field's, Lowe's, Target, Sears	1993	\$300-\$349	\$300-\$349
Fairlane Town Center, Dearborn	Taubman Co.	1976	1.4 million	180	Marshall Field's, JCPenney, Lord & Taylor	\$40 million; added Star Theatre in 1999	\$350-\$399	\$350-\$399
Great Lakes Crossing, Auburn Hills	Taubman Co.	1998	1.4 million	195	Neiman Marcus Last Call, Off Fifth Saks Fifth Avenue Outlet		\$300-\$349	\$300-\$349
Lakeside Mall, Sterling Heights	Rouse Co.	1976	1.4 million	220	Marshall Field's, JCPenney, Lord & Taylor, Sears	Expanded Lord & Taylor; new food court	\$400-\$449	\$350-\$399
Northland Shopping Center, Southfield	GP-Northland LLC	1954	1.2 million	120	Marshall Field's, Target	1994	\$300-\$349	\$300-\$349
Oakland Mall, Troy	Oakland Mall Ltd.	1968	1.5 million	130	Marshall Field's, JCPenney, Sears		\$450-\$499	\$450-\$499
Somerset Collection-North, Troy	Forbes Co.	1996	1 million		Marshall Field's, Nordstrom		\$600-\$699	\$550-\$599
Somerset Collection-South, Troy	Forbes Co.	1969	600,000	90	Neiman Marcus, Saks Fifth Avenue		\$700-749	\$600-\$699
Summit Place, Waterford	Namco	1962	1.3 million	110	Marshall Field's, JCPenney, Kohl's, Sears	Expanded and renovated in 1991	Less than \$300	\$300-\$349
Twelve Oaks, Novi	Taubman Co.	1977	1.2 million	180	Marshall Field's, Lord & Taylor, JCPenney, Sears	Added food court	\$450-499	\$450-\$499
Village of Rochester Hills Lifestyle Center	Robert B. Aikens & Associates	2002	134,013	55	Parisian		\$400-\$449	Not built

Source: Bieri Co. Retail Market Report

The Detroit News

There are also a number of proposed redevelopment projects in the Greater Detroit Metropolitan Area, in addition to the PDA. These include Livonia Mall, Troy Corners (former Kmart Headquarters location, adjacent to Somerset Collection) and the Birmingham Triangle Project (across Coolidge from downtown Birmingham).

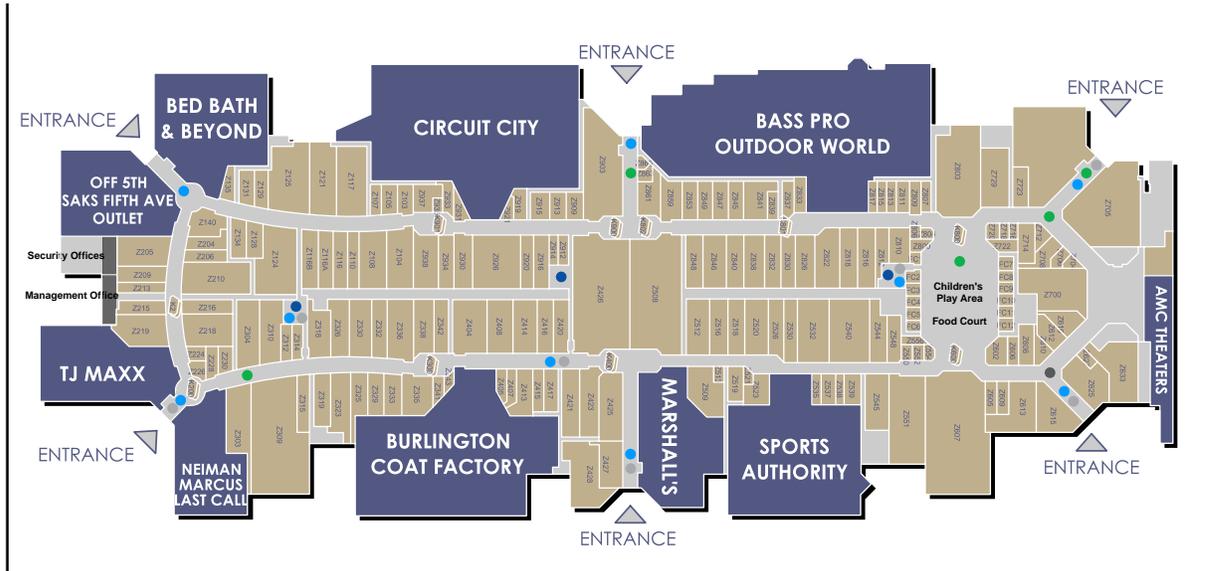
8.2 Great Lakes Crossing - Auburn Hills

Great Lakes Crossing is a large 1.4 million square foot, enclosed outlet shopping mall located off I-75 and between Baldwin and Joslyn Roads. The mall was developed in 1998 by the Taubman Companies, and has over 200 tenants, including a mix of full-retail and outlet brands.

Great Lakes Crossing introduced a number of new brands to Michigan, including Bass Pro Shops, GameWorks, Neiman Marcus Last Call Clearance Center, and Rainforest Cafe. The mall was also home to the first mall-based Steve & Barry's store in the chain.

J. C. Penney closed its outlet store at the mall in a round of company closings in 2001. Since then, Circuit City has opened in half of the former J.C. Penney Outlet, and the other half has been occupied by Children's Place. In 2003, Sportsmart was acquired by Sports Authority, and in 2007, Steve & Barry's relocated into the area.

EXHIBIT 8. Great Lakes Crossing Mall Directory



8.3 Twelve Oaks Mall - Novi

Twelve Oaks Mall opened in 1977 at the Northeast corner of I-96 and Novi Road, and is currently anchored by Macy's, Lord & Taylor, J.C. Penney and Sears. In 2002, the Taubman Corporation demolished a defunct United Artists Theatres and added a new "Lifestyle Cafe" food court. A significant expansion was announced in 2005 that will include a 60,000 sq. ft. expansion to Marshall Field's (which was re-named Macy's in 2006), addition of a new 165,000 sq. ft. Nordstrom store, and 75,000 sq. ft. of new mall retail space with 25 new stores. This expansion is scheduled to open in September 2007.

Novi's Fountain Walk was added recently, and is an outdoor complex will have 65 stores, an 18-screen movie theater, a comedy club and five restaurants. Anchor stores include the Great Indoors and Galyan's, Vans Skatepark and Cost Plus World Market. Other brands include Buffalo Wild Wings and Chuck E Cheese.

8.4 Downtown Pontiac

In our work, we reviewed the City of Pontiac's current Comprehensive Plan ([Pontiac 2010 A New Reality](#)). The document provides a brief history of retailing in the downtown. Among recent proposals, the Marketplace of Nations (MONAT) was a 139,500 square foot urban entertainment complex that was proposed by the Phoenix Development Company for development in the early 1990's. Here is a summary of the proposed project amenities:

Marketplace of Nations (a dropped proposal)

- Nightclubs (3); 19,000 sq. ft.
- Restaurants (5); 25,000 sq. ft.
- Specialty Retail Store; 14,000 sq. ft.
- Small retail stores; 28,000 sq. ft.
- Offices; 31,000 sq. ft.
- Apartments; 13,000 sq. ft.
- Atrium; 9,500 sq. ft.
- Total project size of 139,500 sq. ft.

Perhaps this project could have breathed new life into downtown Pontiac. Unfortunately it did not gain any momentum, and instead the Phoenix Plaza has struggled to attract events beyond the peak summer season. These and other economic redevelopment projects (including Centerpoint and the Silverdome) will continue to divert Pontiac's attention from development efforts in neighboring Waterford Township.

EXHIBIT 9. The City of Pontiac's Downtown District



8.5 Downtown Bloomfield Park

The planned downtown for Bloomfield Park (in Bloomfield Township) represents a good comparable for Waterford Township, and a model to strive for. Downtown Bloomfield is planned for a 75 to 80 acres in the center of Oakland County's prime commercial and residential market, and at an important interchange along Square Lake Road that links Telegraph to Interstate 75. The project represents a good model in terms of design. The project is poised to commence in Spring 2007, although prior delays suggest that the schedule could easily change. Here is a summary of the project's marketed highlights:

Downtown Bloomfield Park (current plan)

- World-Class Hotel; 250 rooms
- Athletic Club; 265,000 sq. ft.
- Retail Build-out; 470,000 sq. ft.
- Movie Theater / Cinema; 2,500 seats
- Office Space; 2,700,000 sq. ft.
- Condominiums; 800 units
- Houses; 400 units
- Residential Prices; \$300,000 and up
- Spa and Sports Medicine
- Luxury Condominiums; 6 high-rises
- Luxury Shops, Restaurants; 60 units
- Eight Parks, 10-acre Lake, Outdoor Skate Rink
- Open-Air Bloomfield Park Pavilion and Event Plaza

According to the reports by the Oakland Press, the project is not expected to have any negative impact on the feasibility of other projects for downtown Pontiac, and that the project is expected to have a "halo effect" for other projects. We concur, and this conclusion applies to the PDA as well as downtown Pontiac.

As a side note, the Bloomfield Park project involves a plan approved by the annexing City of Pontiac that will allow the developer to use brownfield tax-increment financing for the installation of utilities, roads, parks, parking decks and other public infrastructure.

EXHIBIT 10. Downtown Bloomfield Park (Courtesy, www.dpz.com and www.rkf.com)

8.6 Tel-Twelve Mall - Southfield

Tel-Twelve Mall was built in 1968 by the Gershenson Family, and came down in 2002 - demolished for an open air center and a collection of big-box stores. Montgomery Ward had gone out of business, and Kmart declined after building a nearby supercenter.

The 630,000-square-foot, Tel-Twelve Mall was redeveloped with big-box stores and smaller, out lot tenants, and now totals 700,000 square feet. Its current retail mix and quality of tenants represent a good analog for a similar concentration of retail in Waterford Township's PDA.

8.7 Village at Rochester Hills

The 165,000 square foot Meadowbrook Village Mall in Rochester Hills came down in 2002 for redevelopment into the Village at Rochester Hills. Troy-based Robert B. Aikens & Associates rebuilt/redeveloped the mall into a 375,000-square-foot, open-air center anchored by Parisian (120,000 sq. ft.) and formerly by Farmer Jack Food Emporium, before its recent closure.

Meadowbrook Village Mall was developed in the early 1970s as a neighborhood destination. Prior to its redevelopment in 2002, the mall under-performed, and the developer tried diligently to secure a national anchor. However, it has remained an unanchored mall with a mix of mostly local tenants.

EXHIBIT 11. Village at Rochester Hills Mall Directory



8.8 Universal Mall - Warren

Universal Mall opened in the City of Warren in 1965, and Crowley’s was added in 1979 with additional tenant space. Cinemark Theater joined in 1990, along with more shops and a food court. The mall changed hands in 1999 and the new owners updated it and managed to improve occupancy from 45% to 75%. Burlington Coat Factory opened a 75,000 square foot store in 2001, and A.J. Wright was added in 2002 with 25,000 square feet. Other existing anchors now include Value City Discount and Krogers, with plans underway for redevelopment of a former Montgomery Wards.\

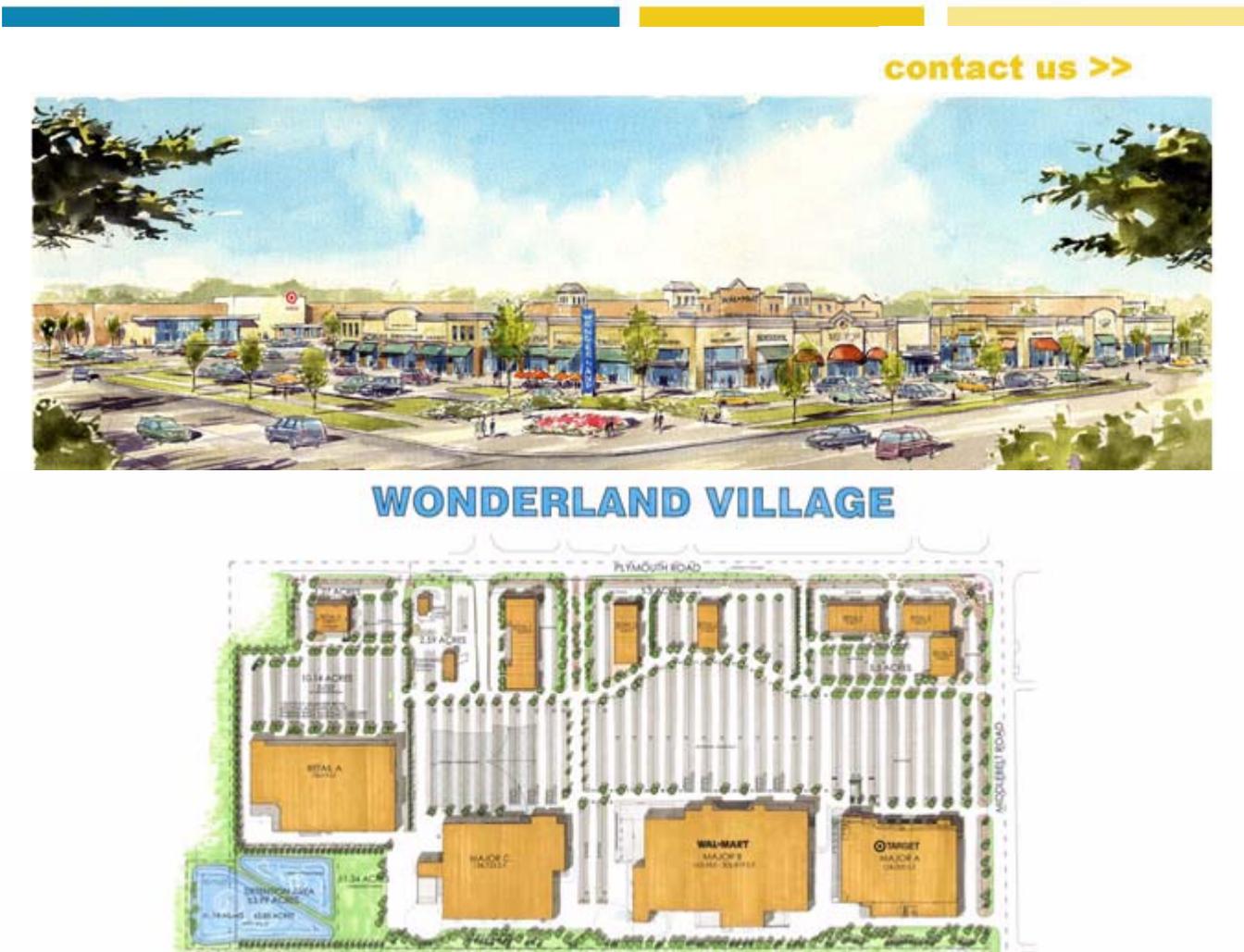
EXHIBIT 12. Universal Mall in Warren, Michigan



8.9 Wonderland Village - Livonia

Livonia's Wonderland Mall was a traditional 850,000 square foot mall developed in 1959. The mall was redeveloped in 2003 with big-boxes and shops and big-box retailers. Wonderland actually began as an open-air center, and was built on the site of a former airport. The mall was recently redeveloped with 40 shops and retail tenants, and anchored by Wal-Mart Supercenter and Target. The new 500,000 square foot project was scheduled for a Spring 2007 opening, at a total construction cost estimated in the range of \$80 to \$100 million.

EXHIBIT 13. Wonderland Village - Redevelopment Plan (Courtesy, www.WonderlandVillage.com)



9.0 RESIDENTIAL ANALYSIS

9.1 Introduction

During recent public meetings facilitated by Harley Ellis Devereaux and JJR, local residents, leaders and community stakeholders expressed a clear preference for certain product types and community character. There is a particular interest in condominiums, townhouses, rowhouses, lofts, flats above street-front retail, adult living, and affordability.

Appropriately, the real concern is the question of market support in general, regardless of these product types, and our analysis identifies the gap and translates the results into a realistic opportunity for Waterford Township's Planned Destination Area (PDA) based on a market share assessment.

9.2 Supply-Demand Results

Our analysis of the residential market includes a complete supply-demand model that identifies the general value and rent brackets that any new housing should target. The supply-demand model is a 20-step matrix that compares average household incomes to home values among existing products. To demonstrate this more clearly, we have charted the data in Appendix 3.3 and Appendix 3.4 in the attached appendix.

The supply-demand model takes these two variables together with additional data to identify gaps by value and rent bracket. Other variables tested in the analysis include a) vacancy rates, b) seasonal homes, c) mortgage-to-income and rent-to-income ratios, and d) owner occupancy ratios.

The results of our analysis are provided in the following two tables, and demonstrate that no more than 75 owner-occupied housing units should be built prior to 2008. However, assuming that the PDA is successfully redeveloped with a modern retail mix, lifestyle stores, entertainment venues, restaurants and sports attractions, then there is support for up to 400 units by the year 2020. If the project is not redeveloped as proposed, then we recommend extreme caution in the current soft residential housing market.

EXHIBIT 14. Owner-Occupied Opportunity - Waterford Township PDA

Price Range	Rolling Totals (not cumulative year to year)					
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>
\$0 - \$49,900	--	--	--	--	--	--
\$50,000 - \$79,999	--	--	--	--	--	--
\$80,000 - \$124,999	--	--	--	--	--	--
\$125,000 - \$149,999	--	--	--	--	--	--
\$150,000 - \$174,999	--	--	--	--	--	--
\$175,000 - \$199,999	--	--	--	--	--	--
\$200,000 - \$224,999	25	25	25	25	25	25
\$225,000 - \$274,999	--	50	75	100	100	100
\$275,000 - \$299,999	--	--	50	75	100	100
\$300,000 - \$349,999	--	--	--	50	75	100
\$350,000 - \$399,999	--	--	--	--	50	75
\$400,000 - \$499,999	--	--	--	--	--	--
\$500,000 - \$749,999	--	--	--	--	--	--
\$750,000 - \$999,999	--	--	--	--	--	--
\$1,000,000+	--	--	--	--	--	--
Summation	25	75	150	250	350	400

Renter-occupied housing units are also supportable in a redeveloped Summit Place project. If the maximum of 180 units are built before 2008, then the construction of rental units should be slowed considerably, with a build-out of no more than 250 units by 2020. In other words, the project would lead with rental units, followed by owner-occupied housing as the project gains momentum. Upon completion, the number of owner-occupied units should exceed renter units.

EXHIBIT 15. Renter-Occupied Opportunity - Waterford Township PDA

Rental Ranges	Rolling Totals (not cumulative year to year)					
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>
\$0 - \$199	--	--	--	--	--	--
\$200 - \$299	--	--	--	--	--	--
\$300 - \$399	--	--	--	--	--	--
\$400 - \$499	--	--	--	--	--	--
\$500 - \$599	20	20	20	20	20	20
\$600 - \$699	20	30	40	40	40	40
\$700 - \$799	55	60	65	70	70	70
\$800 - \$899	45	50	55	60	60	60
\$900 - \$1,000	10	20	30	40	50	60
\$1,000 - \$1,249	--	--	--	--	--	--
\$1,250 - \$1,499	--	--	--	--	--	--
\$1,500 - \$1,749	--	--	--	--	--	--
\$1,750 - \$1,999	--	--	--	--	--	--
\$2,000 +	--	--	--	--	--	--
Summation	150	180	210	230	240	250

9.3 Primary Housing Analysis

To help qualify the gap results of our supply-demand model, we also conducted an analysis of for-sale housing units currently available in the market. By collecting readily available data from www.realtor.com, we are able to test the relationships between the listed price, unit size, and price per square foot. The results of this analysis are displayed in Appendix 4.1 through Appendix 4.4, as follows:

Appendix 4.1. Price per Square Foot v. Unit Size for selected markets in the Northwest Greater Detroit area, with differentiation between single-family houses and condominiums.

Appendix 4.2. Price per Square Foot v. Unit Size for selected markets in the Northwest Greater Detroit area, for single-family houses only, with differentiation for Waterford.

Appendix 4.3. Price per Square Foot v. Unit Size for selected markets in the Northwest Greater Detroit area, for condominiums only, with differentiation for Waterford.

Appendix 4.4. Price per Acre v. Property Size for selected markets in the Northwest Greater Detroit area, for houses only.

As shown, these variables typically follow an inverse logarithmic relationship, and the data shows clear dominance in middle price brackets. Developers who introduce prices redundant to the current mix will have a harder time selling the units, unless their product is clearly unique, of a superior quality, offers extra amenities, or is otherwise differentiated from the competition.

9.4 Lifestyle Cluster Analysis

We have utilized a data set provided by ESRI Inc. to better evaluate the demographic makeup of the citizens of Waterford Township and the surrounding region. Lifestyle Clusters take into account multiple socioeconomic and demographic variables to determine the “lifestyle” characteristics of a region.

Appendix 5.1 illustrates the top 10 lifestyle clusters for the Waterford Township Primary Trade Area (PTA) and Effective Trade Area (ETA), with comparisons to other Sports Arenas in the State of Michigan, including Perani (Appendix 5.2), Wings Stadium (Appendix 5.3), McMorran Place (Appendix 5.4), and the Dow Events Center (Appendix 5.5).

As shown, the top ten clusters for Waterford Township each carry less than 10 percent of the total. The top five clusters include Main Street USA, Cozy and Comfortable, Sophisticated Squires, Exurbanites and Up and Coming Families. The descriptions for each of these clusters is attached at the very end of the report Appendix.

9.5 Firm Profile

At Anderson Economic Group, we specialize in providing consulting services in economics, geography and urban planning, public policy and finance. We develop economic growth strategies, and conduct real estate development research and feasibility studies for both public and private sector clients. Our clients typically include municipalities, jurisdictions, agencies, developers and professional planning firms.

Our approach to work in these fields is based on our core principles of professionalism, integrity, and expertise. We insist on a high level of integrity in our analyses, together with technical expertise in the field. For these reasons, work by Anderson Economic Group is commonly used in legislative hearings, legal proceedings, and executive strategy discussions.

Since our founding in 1996, our analysis has helped publicly-held corporations, private businesses, governments, and non-profit organizations. Our work has included markets throughout the United States, including Alaska and Puerto Rico.

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