

Capital City Public Market Permanent Facility Feasibility Study



Prepared for: City of Boise, Capital City Public Market,
and Idaho Center for Sustainable Agriculture

December 27, 2011

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Introduction

In August 2011, the Mayor's Office of the City of Boise retained Market Ventures, Inc. ("MVI") to conduct the first of a planned three-phase feasibility analysis for expanding the existing open-air, seasonal Capital City Public Market into an indoor, year round facility in downtown Boise, Idaho. The Market has operated for over 15 years in downtown and has become very successful and popular. As a means to expand the Market's benefits, three key partners – the City, Capital City Public Market, and the recently created Idaho Center for Sustainable Agriculture (ICSA) – came together to explore the creation of a year-round, indoor market facility at a site in the downtown.

For this first phase of work, MVI's scope of services included three primary elements:

1. Inventory and demand, including an assessment of consumer demand for a year-round facility, analysis of the potential supply of vendors, and identification of nearby competition,
2. Functions, including a set of development principles and a merchandising strategy,
3. Financial feasibility, including a five year operating statement, development estimate, and high level identification of potential direct and indirect benefits.

Future phases of work are expected to include site identification, analysis of various programmatic alternatives, schematic design, in-depth financial analysis tied to a specific site, and quantification of economic impacts.

In October 2011, MVI's scope was expanded to include in-person and online customer surveys. A summary of survey methodologies and findings is located in separate reports.

This study was prepared by Ted Spitzer, President of MVI, with assistance from Anne Nadzo, Associate. MVI is a specialty urban planning and economic development firm that assists public, non-profit, and for-profit clients with planning, creating, and managing innovative food-based projects and programs, including public markets and farmers' markets. Information about MVI can be found at www.marketventuresinc.com.

Cece Gassner, Assistant to the Mayor for Economic Development, was the project coordinator. She was part of the Working Group overseeing the study, which included Karen Ellis, Executive Director, and Lisa Duplessie, Assistant Director, of the Capital City Public Market (CCPM) and Garrett Goldberg, President of ICSA.

Development goals

In order to clarify what the new public market facility is intended to accomplish, the project team developed the following goal statement:

"The goal of the development project is to build on the success of the weekly outdoor Capital City Public Market by creating a year-round indoor-outdoor facility that will:

1. Strengthen and celebrate Boise’s local food system by creating new economic and educational opportunities,
2. Create a dynamic downtown place that attracts the region’s residents and visitors and helps revitalize the neighborhood around it, and
3. Promote healthy lifestyles and create a model of sustainable community development.”

The development concept explored in this study sought to support these goals. The goals should guide both the development of the facility and its ongoing operations. Once in operation, specific metrics should be established to measure the Market’s success in achieving these goals.

Definition of Economic Feasibility

In most communities, the initial costs of developing a public market, including land, are paid by public or philanthropic funds, with the assumption that the public market will not carry debt service. The test of economic feasibility therefore is whether the market can operate *without on-going subsidy* following a reasonable start-up period, typically chosen to be three years. The benefits of the market, including community revitalization, small business development, support of local agriculture, access to fresh foods, educational programming, and job generation, are usually seen as the “return” for the public or philanthropic investment. To be economically feasible, therefore, market tenants must be able to operate profitably, and rents and other sources of earned income need to cover all of the market’s cost of operations, including a cushion to pay for future capital maintenance needs.

Initial Development Concept

The public market model is flexible: there are examples of successful public markets around the country in many different sizes, configurations, and with different programmatic components. One purpose of the feasibility study is to determine the optimal size, configuration and program for the indoor facility based on the project’s goals and the local opportunity. In the feasibility study request for proposals, the Market is envisioned as having a permanent market retail component and the facility could potentially function as a “food hub,” housing various sustainable activities, educational programs, and agribusinesses activities. In terms of functions, the facility is envisioned to include a commercial kitchen to prepare and store artisanal food products, a demonstration kitchen for cooking classes, and booths from which local vendors and producers can sell their wares. These concepts were explored during the research and analysis phases of the study and a suggested development program is offered, below.

Methodologies

MVI utilized a range of methods to test the concept’s feasibility and develop an appropriate development and financial model, including:

1. Key informant interviews. Interviews were conducted with CCPM management and board members, city officials, ICSA leadership, Market vendors, and nearby business owners.

2. Site observations. Operation of CCPM was observed on Saturday, September 17, 2011.
3. Food producer focus groups. Two focus groups were conducted with food producers who currently sell at CCPM to test various programmatic concepts.
4. Report review. Several recent reports were provided to the consultant, including “Capital City Public Market Rapid Market Assessment” 2009, 2011; “Expanding Infrastructure and Education for the Local Sustainable Food System, and the Growth of Micro-businesses” (Capital City Public Market & ICOSA, 2011), and “Highlights of Greater Treasure Valley Region Local Farm & Food Economy” (Crossroads Resource Center, 2010)
5. Customer intercept survey and on-line consumer survey. MVI designed an intercept survey of Market customers, which was then conducted by volunteers organized by CCPM and ICOSA. A companion on-line survey was designed and made available to the public, and then publicized by the client. MVI analyzed the results of both surveys.
6. Data analysis. MVI collected and analyzed demographic and food consumption data, as well as data related to farming and specialty retail in the region.

Inventory and Demand

Attracting a compelling mix of capable vendors is often the most critical challenge of creating and sustaining a successful year-round public market. Together with the right location, properly designed and developed facilities, skilled management, and effective marketing, it is the individual vendors who will determine whether the needs of customers are met and if customers will make the market a regular part of their shopping routine. Once the public market opens, the vendors control most of the market's destiny.

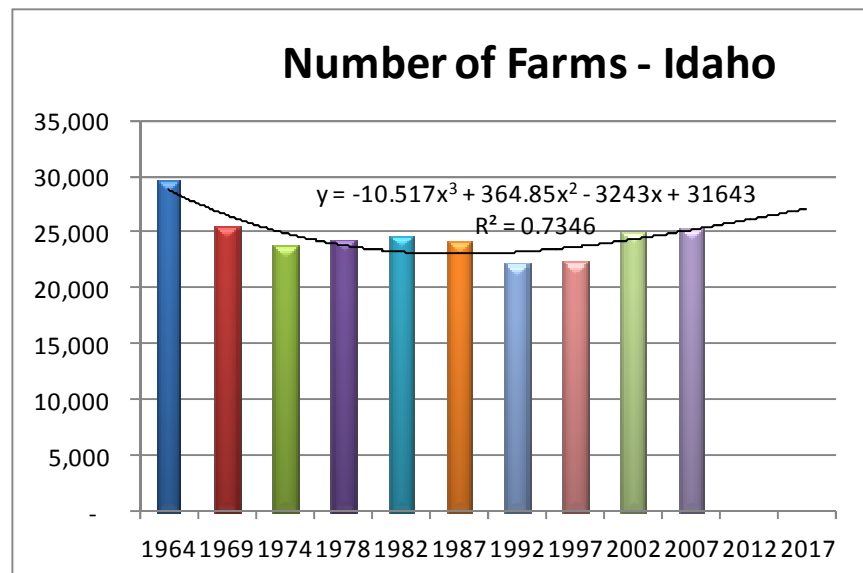
This inventory is meant to assess the supply of products to a year-round market facility. This analysis considered the food cycles of southwest Idaho and eastern Oregon, including the seasonal availability of local foods and the potential for season extension.

Regional farmers

Farmers are expected to participate in the year-round facility either as suppliers of locally grown foods, as daily vendors, or as full time retailers. Trends in agriculture in Idaho and in the Boise region were examined to explore the potential for farmer participation.

According to CCPM, the vast majority of farmers participating in the outdoor market come from Ada, Canyon, Elmore, Gem, Owyhee, Payette and Washington counties in Idaho and Baker and Malheur counties in Oregon. These counties, which are generally within 100 miles of Boise, are expected to be the likely source of farmers participating in an expanded facility. Given Boise's geographic isolation and the lack of other metropolitan areas nearby, farmers from further away might be attracted to a large and successful market in the city, as they are in other communities, but most are expected to come from these nine counties.

According to the US Census of Agriculture¹, Idaho has experienced an upward trend in the number of farms throughout the state during the last two five-year census periods after a period of decline between 1982 and 1997. Based on a polynomial regression line which does a fair job of fitting the data ($R^2 = 0.73$), Idaho will have approximately 1,700 more farms by 2017 than it did in 2007, an increase of 7% (see chart entitled "Number



¹ County level data from the 2007 Census of Agricultural can be found at http://www.agcensus.usda.gov/Publications/2007/Full_Report/Volume_1,_Chapter_2_County_Level/Idaho/index.aspx

of Farms – Idaho”). Many parts of the country are experiencing an increase in the number of farms, particularly small farms that are engaged in direct marketing, so this trend is in line with other regions.

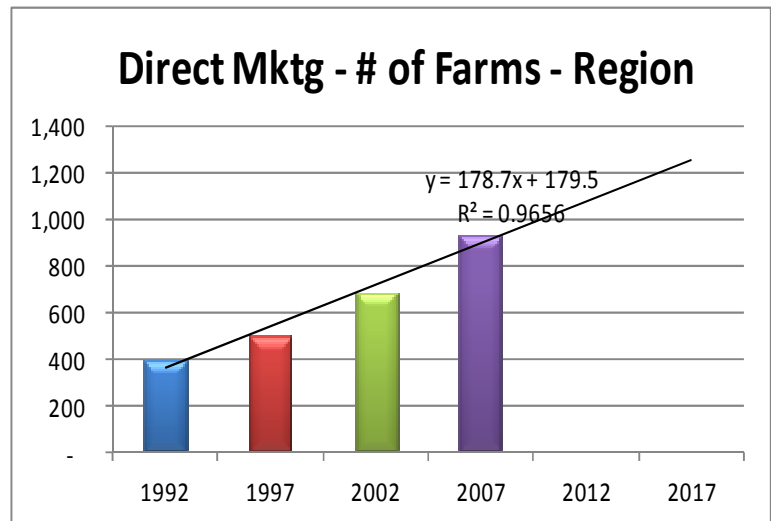
According to the 2007 Census of Agriculture, the nine county region around Boise has about one-third of the state’s farms: there are 8,724 farms in the region compared to 25,349 throughout the state. The number of farms has grown in each of the four census periods since 1992 and the region experienced a 2.6% increase in the number of farms since the 2002 Census. Only Ada County, of which Boise is the county seat, experienced a substantial reduction in the number of farms between 2002 and 2007, with the number dropping 6.8% from 1,420 to 1,323. While the number of farms in the region increased, the land in farms decreased 6.5% from 4.31 to 4.02 million acres, reflecting the trend toward more but smaller farms.

The market value of agricultural products sold by farmers within the nine county region equaled \$1.65 billion in 2007, a substantial 30% increase from 2002.

Throughout Idaho, the census counted 1,137 farms that

grow vegetables, fruits, tree nuts, and berries, compared to 10,621 farms that have cattle or calves (of which 7,365 farms have beef cows). In the region analyzed for the Public Market, 385 farms grow vegetables and fruits, and 3,719 farms have beef cows, clearly reflecting the dominate role of livestock in the region’s agriculture. According to a report prepared for the Treasure Valley Food Coalition, over 90% of regional farm sales involve animals or feed for animals, while less than 7% of farm products could be eaten by consumers directly.²

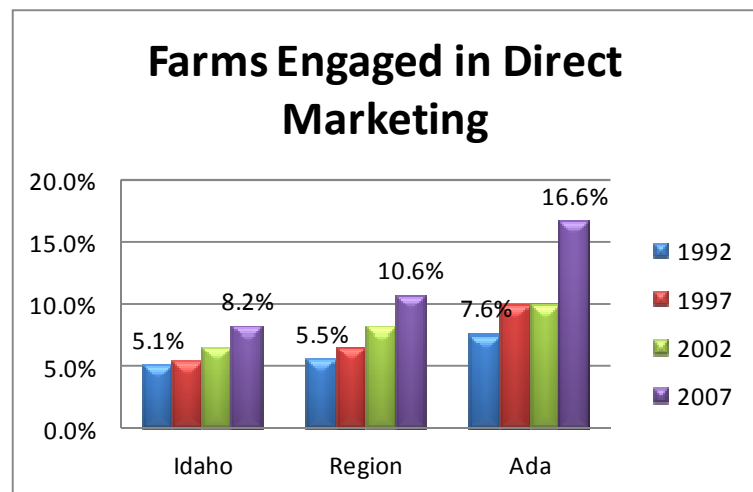
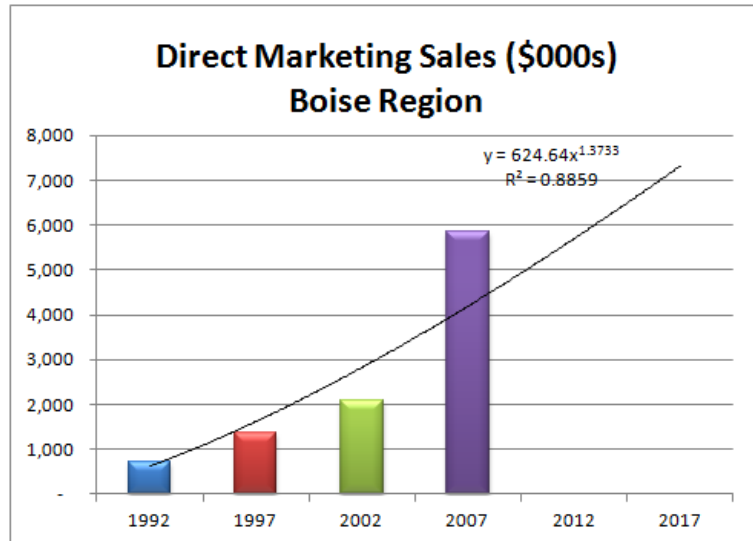
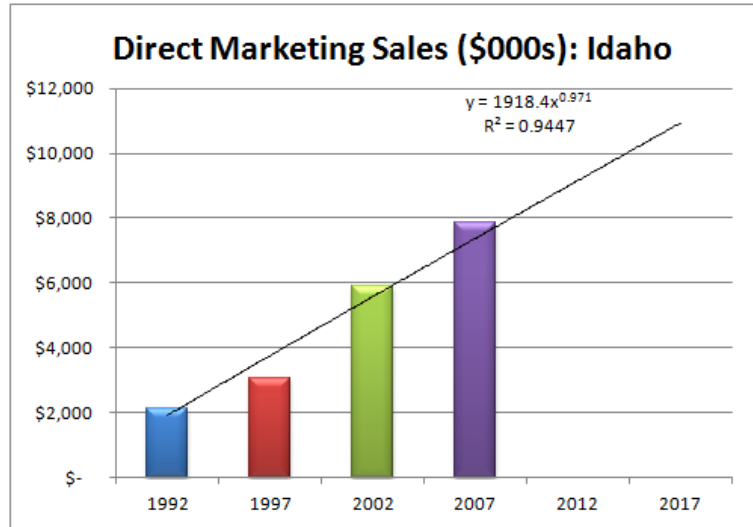
Data for Nine County Boise Region	2,002	2,007	Change
Number of farms	8,499	8,724	2.6%
Land in farms (acres)	4,305,495	4,024,080	-6.5%
Farm sales (millions)	\$1,273,627	\$1,654,334	29.9%
Farms engaged in direct marketing	686	929	35.4%
Direct marketing (millions)	\$2,076	\$5,858	182.2%
Direct marketing as % of total sales	0.16%	0.35%	117.2%



² Ken Meter, “Greater Treasure Valley Region Local Farm & Food Economy: Highlights of Data Compilation,” prepared for Treasure Valley Food Coalition, June 3, 2010

In 1992, USDA began tracking **direct marketing**, which it defines as “agricultural products sold directly to individuals for human consumption.” Direct marketing channels typically include farmers’ markets, U-pick operations, farm stands, and community supported agriculture (CSAs). Many farmers who engage in direct marketing are the type of small, retail oriented farmers who participate in public markets. 929 farmers in the nine county region reported direct marketing in 2007, up from 686 farmers in 2002 and 492 in 1997. The chart entitled “Direct Mktg - # of Farms – Region” shows the consistent increase in the number of farms in the nine country region who participate in direct marketing. Based on recent trends, there will be **323 additional farmers** in the region engaged in direct marketing by 2017. The trend line fits the data closely but, with only four data points, the predictive power is limited. The success of CCPM and the establishment of other farmers’ markets in the region suggest that future growth is expected. Conversely, this trend could be curtailed without new facilities, such as an expanded Public Market, to help farmers efficiently market their products year round and more days per week.

Both the region and Ada County exceed the state in terms of the proportion of farms engaged in direct marketing. As the chart entitled “Farms Engaged in Direct Marketing” demonstrates, 10.6% of the farms in the region participate in direct marketing, compared to 8.2% in the state. An even larger percentage of farms from Ada County participate in direct marketing, with 16.6% of the county’s farmers



reporting direct marketing activities.

The growth in direct marketing sales has been even more dramatic. State-wide, direct marketing sales increased from about \$2.1 million in 1992 to \$7.8 million in 2007. If present trends continue, state-wide direct marketing sales will be nearly \$11 million by 2017. Within the nine-county region, sales jumped from \$729,000 in 1992 to \$5.8 million in 2007, and will exceed \$7.3 million by 2017 if trends continue.

Idaho's Bounty reports that a growing number of farmers are selling through their retail and wholesale channels. This year there are over 65 farmers selling through their system and all are either organic or working towards certification. While the business is not yet profitable, sales growth and the participation of many farmers demonstrate both demand and opportunities for supply.

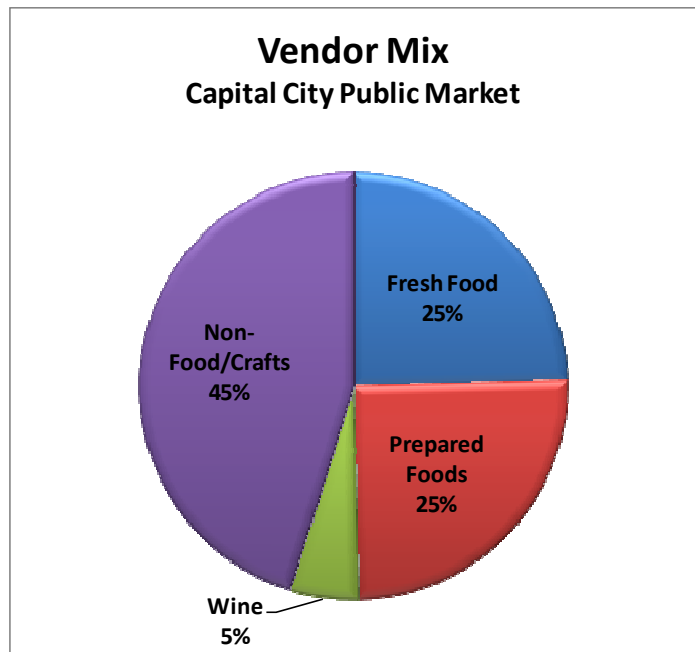
While direct marketing sales have increased dramatically, they still represent a tiny fraction of all farm sales. State-wide, direct marketing accounts of 0.14% of farm sales, while it accounts for 0.35% of sales within the Boise region. This perhaps suggests that there is much room for upward growth but the infrastructure to support direct-to-consumer sales is very limited.

According to representatives from the Treasure Valley Food Coalition, the Treasure Valley offers tremendous attributes as a growing region, including low humidity, a long growing season, good soils, and adequate and reliable water. At one time, the Valley produced lots of food crops. While the data show clear movement toward more direct marketing of fresh foods to consumers, it is difficult for new farmers to get started because of the high cost of land and the need to irrigate. Better marketing opportunities could provide the impetus for farmers to grow for local markets.

Capital City Public Market today

According to CCPM, 175 vendors registered to participate in the Saturday market in 2011. Of the 175, 43 can be classified as 43 fresh foods/farmers, 44 are prepared foods (including bakeries), nine are wineries, and 79 are non-food or crafts. These numbers compare favorably with many farmers' markets around the country. According to USDA, the average number of vendors in a farmers' market is 31 (as of 2005).³

Assuming the number of farms participating in direct marketing has grown at the forecast rate, there are about 900 farms involved in direct marketing within the nine-county region in 2011.



³ USDA National Farmers' Market Manager Survey 2006, Agricultural Marketing Service, 2009, page 1.

Therefore, CCPM serves 4.8% of the region's farmers involved with direct marketing (43 of 900).

CCPM currently operates from April through December, which is longer than most open-air farmers' markets around the country (although there some other open-air markets in other northern climates that operate year-round). According to USDA, most farmers' markets are seasonal and are open 4.5 months per year.⁴ Knowing they have a reliable place to sell their products, a few farmers are now staying at CCPM through December. Low-input season-extending technologies, such as hoop houses and cold storage facilities, have made it possible to harvest and sell vegetables for most months of the year without high energy inputs. Access to water in Idaho is a greater challenge, however, because water for irrigation traditionally ends in October.

The fact that CCPM farmers are now selling through December shows that the availability of a marketing outlet for local food production can lead to greater investment in season extension capacity and more availability of local products. This process of investing in season extension takes time and often an incremental approach is needed to grow supply and demand in approximate balance.

Of the 43 fresh food vendors currently selling at CCPM, management has identified 21 vendors who it believes will be interested in year-round selling opportunities within the Public Market. These businesses include a number of meat producers (beef, elk, bison, and other meats) and fruit and vegetable producers. While Market staff believes very few of the non-food vendors will want their own year-round space, they believe most (7 of 9) wineries will be interested. Overall, the Market identified 39 vendors it believes will be interested in year-round vending opportunities. This provides a strong initial base of vendors for the year-round facility.

To explore how these vendors would like to be involved in a new year-round facility, MVI conducted a well attended meeting of Market vendors, small group interviews, and two focus groups of food producers. This research found clear interest in a year-round facility from some vendors and a variety of ways that vendors would like to participate.

The two focus groups, which had eight and nine participants respectively, followed a common format that tested various concepts that have been suggested for the Public Market. Posters that explained seven different ways that a farmer might participate in a year-round facility were presented to the group. These seven concepts or "opportunities" included the following descriptions:

1. **Opportunity 1: Permanent Vendor Stall.** An indoor, year round market will likely have between 15 and 25 permanent vendor stalls, featuring a wide range of fresh and prepared foods. Many of the stalls could be large enough to accommodate food production, such as baking, cheese making, butchering and sausage making, ice cream production, etc. Vendors will be able to sell on a retail basis to consumers and serve wholesale accounts outside of the market.
2. **Opportunity 2: Indoor "Day Stall".** Day stalls are daily rental spaces within a public market that allow farmers and food producers to sell their products alongside the

⁴ Ibid, page 2.

permanent market vendors. An indoor market in Boise could have a small number of spaces set aside for farmers who wish to sell indoors on a temporary basis. Sometimes day stalls provide a pathway to becoming a permanent market vendor.

3. **Opportunity 3: Seasonal Farmers' Market Shed.** A farmers' market shed is possible adjacent to the indoor market facility where farmers from the region will sell on a seasonal basis similar to the timeline of the current Market. The shed will protect from inclement weather and allow a longer marketing season, expected to be April through December. Farmers will be able to pull their trucks up to their stalls, which could be equipped with water, power and telephone for credit cards.
4. **Opportunity 4: Supply Permanent Vendors.** The permanent vendors in the market will be committed to buying from Idaho farmers and food producers. This represents millions of dollars of demand for a wide spectrum of locally grown or raised foods. Vendors often develop strong, mutually supporting relationships with their farmer-suppliers.
5. **Opportunity 5: Product Aggregation and Distribution.** The indoor market could have a facility where local foods are aggregated and sold to wholesale customers, such as restaurants, retailers, and institutions. This facility could partner with an existing food distributor who would rent space within the market and transport these products to the buyers.
6. **Opportunity 6: Kitchen Incubator/Commercial Kitchen.** A licensed commercial kitchen could offer a place for local, small food producers to manufacture or package many food products which their current resources do not allow. The indoor market might include a kitchen incubator or commercial kitchen facility with a variety of production equipment that can be rented on an hourly basis.
7. **Opportunity 7: Agricultural Tourism Promotion and Education.** Located at the center of the largest population center in Idaho, the indoor market could help promote agricultural tourism throughout the region, directing local residents and tourists toward farm stands, farm-based B&Bs, U-Pick operations, and other agricultural tourism activities. Wineries, breweries and farms could use the market as a place to promote their facilities and programs.

The second focus group added an eighth opportunity, namely a **producers' coop store** that would be located within the Public Market and which would allow multiple vendors to sell through a common retail outlet.

After explaining each of the opportunities and answering clarifying questions, the focus group participants were given three each green, yellow, and red dots. They were asked to apply the green dots to the posters that they thought were good ideas and that they were interested in pursuing; the yellow dots for posters that held some promise but they would like to learn more about; and red dots to the posters they thought were bad ideas and would not be beneficial or successful. After the participants applied their dots, each of the ideas was discussed in detail to hear more about the vendors' thoughts and questions.

To quantify the results, a green dot was given the value of three, a yellow dot the value of one, and a red dot the value of negative three. The chart below shows the tally of each idea both by group and in aggregate using this scoring system, ranked by total score. The green concepts

reflect the highest scoring ideas, while the yellows reflect the middling answers and the red lines the very low rated ideas:

Concept	Name	Group 1	Group 2	Total
Concept 3	Seasonal market shed	19	14	33
Concept 6	Shared commercial kitchen	12	10	22
Concept 1	Permanent vendor stall	7	14	21
Concept 8*	Producers' coop store*		19	19
Concept 4	Supply permanent vendors	4	8	12
Concept 2	Indoor day stall or Winter Market	4	6	10
Concept 7	Ag Tourism Promo and Education	9	-7	2
Concept 5	Product aggregation & distribution	-5	5	0

Overall, the seasonal farmers' market shed received the highest score. This suggests that these farmers are very interested in a simple step up from their current outdoor vending arrangement, where they would continue to sell outdoors in a low cost environment but would appreciate being under a roof and selling from a permanent structure.

The next three ideas received similar scores: having access to a shared commercial kitchen and thereby making products within the Public Market, having their own permanent stall in the Market, and selling through a producers' coop store (only the second group considered this idea).

Several of the vendors in the focus group use or had used the shared commercial kitchen facility in Caldwell and indicated they would like to use a shared commercial kitchen in Boise. This idea was strongly supported by several of the key informants, including the organizers of the refugee farmer training programs.

While many of the vendors in the second group put a green dot on the idea of the producers' coop store, in subsequent conversation the enthusiasm for this idea waned somewhat.

Interestingly, there was tepid interest in the notion of supplying other permanent Market vendors and in having access to an indoor temporary selling space of their own.

Finally, one of the two lowest rated concepts was for the Public Market to encourage customers to visit on-farm attractions (ag tourism) such as petting zoos or farm-based bed and breakfasts and for the Market to have educational programs. It should be noted that participants in the first focus group rated this concept fairly highly; with nine points, it is their third highest rated concept. However, participants in the second group rated this idea very poorly, so the two scores together resulted in an overall low ranking.

The lowest rated concept was for the Public Market to be the center for product

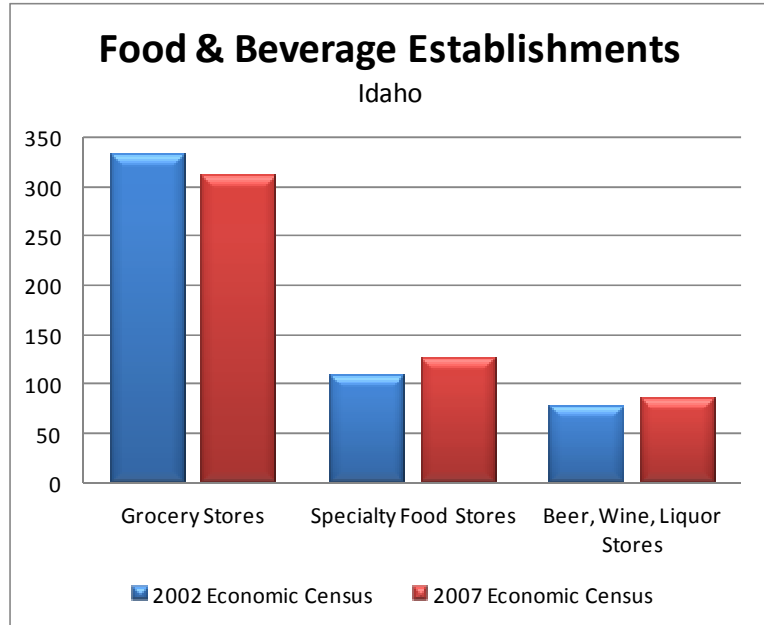
aggregation and distribution. This low rating, along with the fairly low enthusiasm for Concept 4, Supply permanent vendors, can perhaps be interpreted as the desire of these food producers to sell their products directly to consumers and not through middlemen. They do not see the downtown public market as a place for storage or distribution. This result stood in sharp contrast to the opinion of some of the key informants, who have suggested that a downtown facility is needed for these purposes.

Specialty food vendors

Another potential source of vendors for the permanent facility is existing specialty food retailers or restaurants from within the region. MVI met with several local food producers/retailers to learn about their businesses and discuss their interest in participating in a year-round facility.

One challenge noted by these food professionals is the lack of a “food culture” in Boise. They feel that area consumers are generally not sophisticated about food and they are not demanding local foods. Furthermore, local customers are very price conscious and will not support high end restaurants. Boise no longer has a Slow Food Convivium (the leader died and no one took his place) and does not have an Edible Communities magazine, two indicators of interest in local, artisan food often seen in other metropolitan areas. They stated that customers who attend the farmers’ market are the food culture in the region. The neighborhoods around downtown represent a progressive oasis. On the other hand, these food professionals feel that Boise is ripe for creating a strong artisan food economy and elements are emerging, such as the recent creation of new breweries and the growth of wineries around the state.

Like most American cities, Boise has a small number of independent specialty food stores. Supermarkets and groceries dominate food retailing in the United States, with nearly 95% market share in the year 2000. The remaining 5.3% of food sales are captured by specialized food stores, defined as stores that are primarily engaged in the retail sale of a single food category such as meat and seafood markets, dairy stores, candy and nut stores, and retail bakers. Nationally, the market share of specialized food stores dropped from 6.6% in 1980 to 5.3% in 2000. All food stores are facing increased competition from mass-merchandisers and warehouse club outlets and long term trends toward more eating out, resulting in increased competition for a smaller pie.⁵



⁵ Economic Research Service, USDA, *U.S. Food Marketing System, 2002*, AER-811.

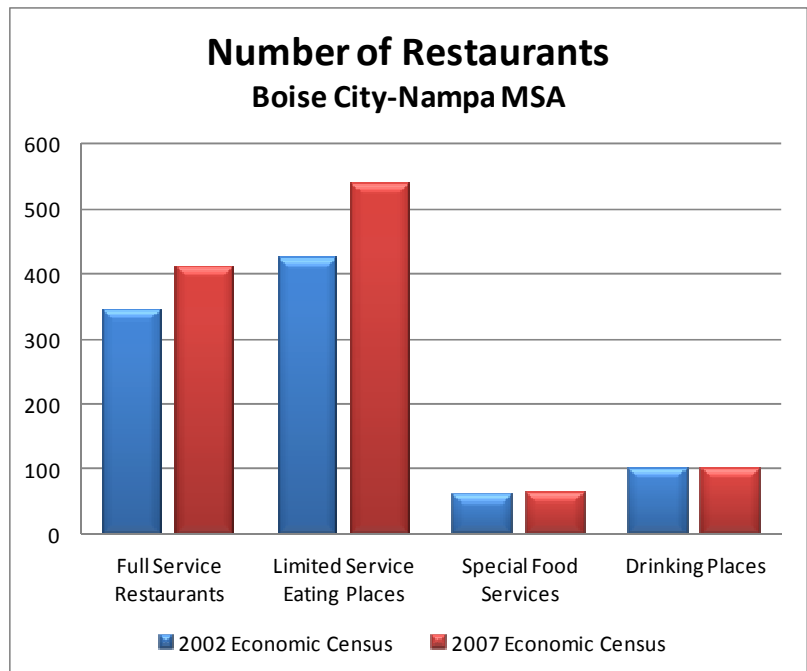
Over time, there has been a steep decline in the number of independent, specialty food stores selling basic food items, such as meat and seafood, making it more challenging to find experienced tenants for a public market. The 2002 Economic Census counted only 39 specialty food stores in the Boise City-Nampa MSA in 2002 compared to 94 grocery stores. Sales of specialty food were not reported due to the Census Bureau’s policy of withholding data that might identify individual companies; grocery stores had sales of \$612.88 million.⁶ However, the number of specialty food stores almost doubled in 2007 to 60 while the number of grocery stores decreased significantly to 77. Again, sales for specialty food stores were not reported for 2007. However, sales at grocery stores increased to \$842.73.

Several of the specialty food vendors and restaurateurs interviewed by MVI indicated strong interest in participating in a downtown market, on a year round, full-time basis, including a bakery and several meat producers. However, there is a limited supply of additional experienced specialty food retailers who might become full time tenants in a public market.

Restaurants

In addition to retailers, the Boise MSA has 932 food service and drinking places with sales of \$512.38 million in 2002. According to the Economic Census, this includes 345 full service restaurants, with sales of \$236 million. In 2011, the number of establishments increased to 1,122 with sales of \$730.46 million. Full service restaurants numbered 413 with sales of \$327.86 million.

One of the restaurateurs interviewed has expressed strong interest in becoming a tenant of the permanent market facility. He is strongly committed to local foods and is regarded as a very successful downtown business.



Conclusion

The inventory analysis found positive trends in the agricultural sector that support the effort to expand the size and opportunities of CCPM. More farmers in the region are utilizing direct marketing to sell their products and farmers are implementing season extension techniques to harvest products more months of the year. Having a year-round facility that promotes local foods and provides a place for direct marketing will encourage more farmers to take these steps. While access to irrigate water during the “off” season is challenging for crop

⁶ Source: http://factfinder.census.gov/servlet/GORTable?_bm=y&-qr_name=ECN_2002_GORT4&-geo_id=31000US14260&-ds_name=EC0200A1

farmers, meat producers are looking for retail facilities they can access year-round.

A high quality baker, several meat producers, and a brew pub all expressed strong interest in becoming permanent tenants within the new facility. CCPM leadership has identified a good number of current fresh food vendors that it believes are interested in year-round selling opportunities. The farmers are particularly interested in direct marketing opportunities, including selling from a permanent farmers' market shed and having their own permanent stores within the new facility.

Consumer demand

The purpose of the customer demand analysis is to quantify the potential demand for fresh and prepared foods at a public market in the proposed location and to identify the targeted customers for the market. Demand analysis consists of defining the market's trade areas, evaluating the demographics of the residents of the different trade areas, and analyzing buying behavior in order to estimate potential expenditures for the different products sold in the market. Both the experience of other public markets and the characteristics of Boise helped shape the trade area decision.

A few general comments can be made about the differences between public markets and supermarkets:

- Public markets compete with supermarkets and other retail food outlets for consumers' patronage by providing a shopping environment unlike the typical American retail experience, with individually owned businesses linked to the region's food and agriculture and inviting public spaces.
- While supermarkets strive to obtain a large percentage of the expenditures for food within a small geographic area, downtown public markets realize a small percentage of these expenditures from a much larger area. The trade areas of downtown public markets are generally much larger than supermarkets'.
- Consumer research at public markets has shown that customers will drive 20 to 30 minutes to shop at a large, successful public market, even if their food shopping can be done more conveniently at supermarkets within several minutes of their homes.
- Tourists often seek out authentic public markets because they are unique places, offering a window into the culture of the region where they are located. To be authentic, however, public markets must cater first and foremost to area residents, not tourists.

Current customers

The intercept survey of Market customers provides a snapshot of customers on the two days in October 2011 when the survey was administered. A full report about the intercept survey has been provided separately; highlights are presented here.

According to the survey, shoppers at the Market skew toward higher income, with 42% reporting household income above \$75,000. Average household size is slightly above the national average. 69% of those interviewed were women.

The large majority of customers (84%) live within zip codes that are in or adjacent to Boise. Most customers drive to the Market (72%) but many also walk (14%) or ride bicycles (12%). Only a very small fraction (2%) takes a bus. The largest group of customers (56%) travel between 5 and 15 minutes to reach the Market.

Most customers (73%) can be considered regular shoppers because they had visited the Market either the previous Saturday (38%) or within the past month (35%). Nearly all those interviewed reported buying something in the Market (95%), with 85% saying they bought food

to take home and 55% saying they bought food to eat in the Market. A smaller group (21%) bought nonfood or craft items.

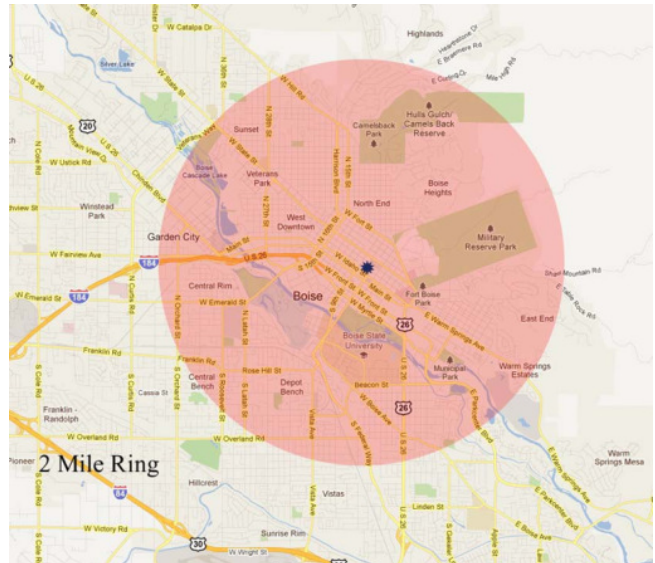
Sales in the Market are fairly high. The highest spending customer spent \$226.50 among all three categories and the average customer spent \$35.10. For fresh foods alone, customers reported spending up to \$200 and the average among all customers was \$24.35. Men reported spending more than women, and high income shoppers spent more than low income ones. The most frequent customers (those who came the previous week) had the highest average total and fresh food purchases, while those who had not come to the Market in more than a month had slightly lower fresh food purchases than customers who had come within the month, but higher overall purchases.

Other findings from the customer survey are included throughout this report, where relevant.

Trade areas

Three separate trade areas were defined for the Market, using the corner of North 8th Street and West Idaho Street as the center point: a two mile ring, the band between two and five miles, and the band between five and twenty-five miles (see maps). The two mile ring is approximately equivalent to a five minute drive to the Market, while the two to five mile band is approximately five to fifteen minute drive.

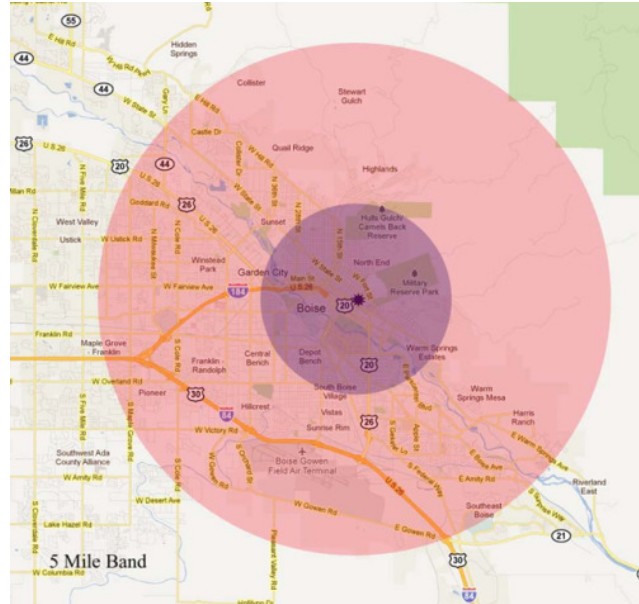
1. **Residents of a 2 mile ring around the site.** This ring stretches from W. Overland Road in the south to Camelsback Park in the north; Veterans Way in the West to Warm Springs Estates in the east. The market can be considered easily accessible for residents in this trade area: some will be able to walk to the public market and for others it will be a short drive, bike ride, or bus trip. At present, there is limited competition within this area for fresh foods, although the Boise Co-op does have a devoted following and the development of a new Whole Foods Market will significantly alter the competitive landscape.



According to the customer survey, 21% of the customers live within five minutes of the Market, which is approximately this two mile ring.

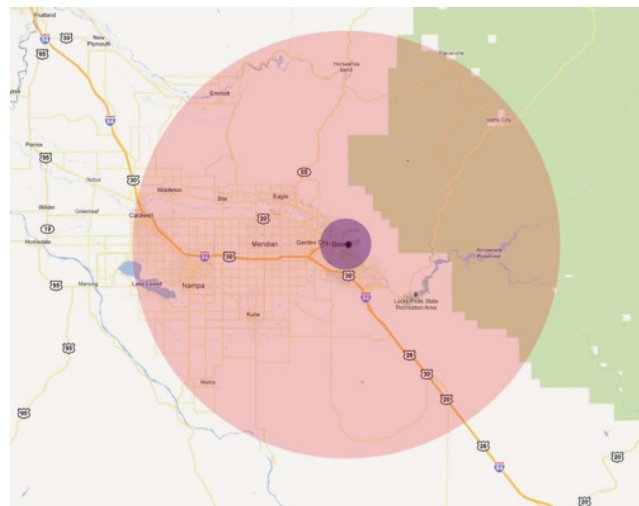
2. **The band between the 2 mile ring and a 5 mile ring.** This band stretches from I-84 in the south to the Southeast Boise in the east and Boise National Forest in the north. A significant part of this trade area is not populated because of the mountains. The public market will generally be convenient to residents and workers in this area. There are many grocery stores in this trade area and farmers' markets in Meridian.

According to the customer survey, the largest group of customers (56%) traveled five to fifteen minutes to reach the Market.



3. **The area between the 5 mile ring and a 25 mile ring.** This band incorporates Middleton, Nampa and Caldwell and about a third of the band includes the National Forest. Based on our research at numerous public markets, this represents the typical extended catchment area for a large downtown public market.

According to the customer survey, 20% of customers took 16 to 30 minutes to reach the Market, and another 3% took 31 to 60 minutes to reach the Market.



In addition to these trade areas, the demand analysis also includes estimates of potential patronage by tourists (defined as anyone who lives outside the 25 mile ring), and considers the potential utilization of the market by downtown workers.

According to research that MVI has conducted at other downtown public markets, public markets attract a wide range of shoppers in terms of age, ethnicity, and income level. In general, families buy more fresh food than individuals or people living in unrelated households, and people with higher income levels (\$75,000 and above) are more frequent shoppers and spend more than people with lower incomes. The highest spending customer is typically a 40 to 55 year old woman. What is unique about public markets, however, is their ability to appeal to both the highest income shoppers and lower income shoppers. While higher income shoppers might be drawn by unique products and superior quality, lower income and elderly shoppers appreciate

the ability to purchase smaller quantities, the ability to negotiate with empowered owners, ethnic specialties, and competitive prices. The results from the customer survey generally reinforce these national findings.

Demographic data about the three trade areas were acquired from Claritas, a national market research data company. The acquired data include 2000 and 2010 U.S. Census information, estimates developed by Claritas for 2011 based on the 2000 Census, and projections for 2017. Data from the 2010 Census are just now becoming available and are not yet available for the three geographies examined in this analysis. While all data sources face issues relating to validity and timeliness, the recent economic turmoil has made estimates and projections based on older data more suspect.

Data about the three trade areas are summarized in the chart below. Each band is independent – only the “total” section aggregates the three bands:

	2 M Ring	2-5 M Band	5-25 M Band	Total	USA
Population 2000 census	42,365	105,212	276,982	424,559	
Population 2011 estimate	40,658	108,533	432,737	581,928	
Population 2016 projection	41,302	113,647	488,451	643,400	
Population change 2000-2011	-4.0%	3.2%	56.2%	37.1%	10.4%
Population change 2011-2016 (%)	1.6%	4.7%	12.9%	10.6%	4.0%
Population change 2011-2016	644	5,114	55,714	61,472	
Racial diversity (% non-white)	11.5%	12.9%	13.7%		28.0%
Percent Hispanic 2011	7.6%	9.3%	12.4%		16.1%
Households 2011	19,605	45,464	149,733	214,802	
Average household size	1.94	2.33	2.84		2.60
Median age	34.9	36.0	33.2		37.0
Ave household income 2011	\$54,754	\$61,740	\$65,590	\$60,695	\$67,529
Ave household income 2016 est	\$55,845	\$62,511	\$67,085	\$61,814	\$69,479
Change HH income 2011-2016	1.99%	1.25%	2.28%	1.84%	2.89%
Household income >\$75,000/yr	3,896	11,506	44,767	60,169	
Household income >\$75,000/yr	19.9%	25.3%	29.9%	28.0%	
Per capita income	\$26,962	\$26,295	\$22,955		\$25,728
Families below poverty line	11.7%	9.1%	8.0%		
Family households	43.9%	60.7%	76.5%		68.0%
Age 35-64	37.4%	37.9%	37.2%		
No Vehicles	9.2%	5.9%	3.1%		
Bachelor's Degree	25.7%	22.8%	18.3%		17.5%
Master's, Prof. or Doctorate	15.6%	11.8%	7.5%		10.1%

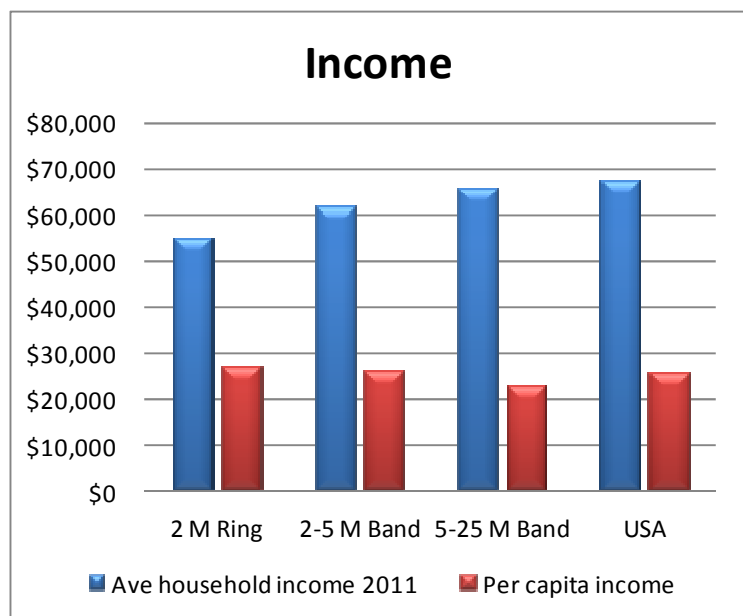
Trade Area 1: 2 Mile Ring

2011 population for the 2 mile ring is estimated at 40,658 people, which represents a 4% decrease from the 2000 Census count of 42,365. The population is expected to increase slightly by 650 people, or 1.6%, by 2016, to 41,302 people. By comparison, the population of the United States is expected to grow 4% between 2011 and 2016. The other two trade areas are increasing in population, particularly the 5-15 mile band.

The trade area is estimated to have 19,605 households in 2011, with an average household size of 1.94 people, which is below the national average of 2.60. Only 44% of these households are families, compared to a national average of 68%. Typically, small household size and small percentage of families would suggest lower than average purchases at a public market.

The median age of the population, at 34.9, is below the national median of 37. Only 37% of the population is in the targeted age range of 35 to 64.

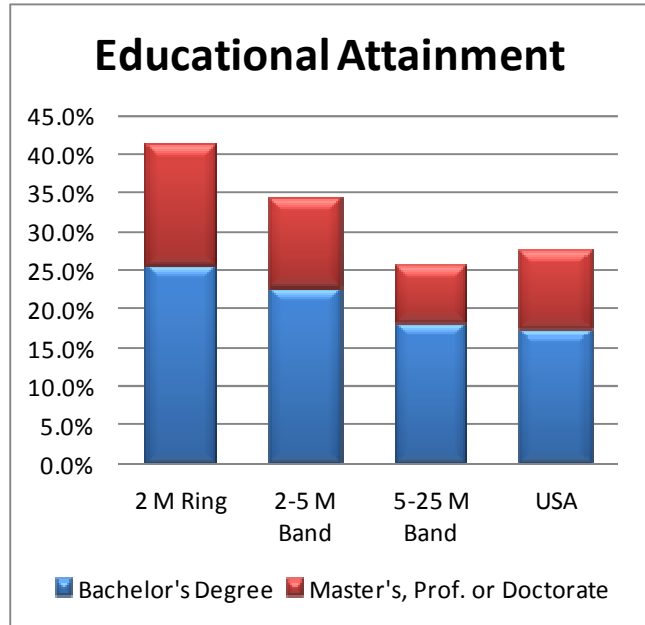
Household incomes in this area are lower than both the other trade areas and the national average, although this is driven in large part by the small household sizes. Average household income in this trade area is \$54,754, compared to \$61,740 in the second area and \$65,590 in the third area. Per capita income at nearly \$27,000 is the highest of the three trade areas and above the national average. At the same time, nearly 12% of the families are below the poverty line. As the chart to the right labeled “Income” shows, the household income increases for each of the three trade areas, yet the per capita income shrinks.



Educational attainment is well above the national average: nearly 26% of those 25 years or older have a bachelor’s degree, while nearly 16% hold a master’s professional, or doctorate degree. These are significantly above the other two trade areas. The chart labeled “Educational Attainment” clearly demonstrates how educational levels drop with each of the three trade areas. Educational attainment has been shown to have a strong correlation with higher spending for quality food, so this demographic quality helps to offset the low median age and small household size.

Over 9% of the households report having no vehicle. The downtown’s accessibility to these close-in households will make the market convenient in this area.

The population in this trade area is not very diverse. Only 11.5% of residents identified themselves as non-white compared to 28% for the country. 7.6% of the population identified as Hispanic. In communities with large populations of recent immigrants, these residents can be frequent public market shoppers because of their familiarity with market trade in their countries of origin, assuming the market offers that appeal to this group of consumers and prices are within their means.



Based on the demographic profile of area residents and typical expenditure patterns as determined by the Bureau of Labor Statistics’ Consumer Expenditure Survey, Claritas estimates the retail sales potential for consumer goods. Using their estimated per capita expenditures for various food items, Claritas creates a Food Purchasing Index that compares local expected purchases to national averages on the household level. In any category, a score of 100 means that households within the defined trade area are expected to buy exactly the same as the national household average. If households in the targeted trade area are expected to purchase less of a particular product, the index will be less than 100. Conversely, if they are expected to buy more of a certain item, the index will be more than 100. For example, if the average household in the trade area is expected to buy \$1,200 worth of baked goods per year and the national average is \$1,000 per household, then the index would be 120.

For the 2 mile radius, the estimated food purchasing index for 2010 is:

2 Mile Ring	2010 Estimate
Food At Home – Overall	85
Food Away from Home - Overall	87
<i>Market Categories</i>	
Baked goods	88
Dairy	94
Meat	73
Poultry	75
Prepared foods	97
Produce – fresh	90
Seafood – fresh	59
Specialty food	101
Sweets	93
Beverages - nonalcoholic	94

Beer	106
Wine	84

In most cases the index score is below 100, suggesting that household expenditures will be below national averages. In two cases, the scores are above 100: specialty foods (101) and beer (106). Fresh seafood is well below the national average at 59. Prepared foods ranks highly at 97. These low scores are certainly influenced by the small size of households in this trade area.

In general, these findings suggest that a subset of residents in the first trade area could be reasonably strong users of the market, although the number of residents here is fairly small. Importantly, the area has many people with high educational attainment and a segment (20%) reports household income over \$75,000 per year (about 4,000 households). The market could do particularly well with prepared and specialty foods as well as a local brew pub or brewery.

Trade Area 2: Area between 2 mile ring and 5 mile ring

The area between the 2 mile ring and a 5 mile ring contained 105,212 people in 2000 and is estimated to be 108,533 in 2011, an increase of 3.2%. The population is expected to grow to 113,647 by 2016, an increase that surpasses the national rate of growth (4.7% compared to 4.0%).

This area is divided into 45,464 households, with an average household size of 2.33, which is larger than the first trade area (1.94) but still below the national average of 2.60. This population is slightly older than the first trader area with a median age of 36.0 and but still below the national average of 37.0. The percentage of family households (61%) is also below the national average of 68%.

Average household income in this area is \$61,740. This is projected to rise only 1.25% by 2016, compared to a national increase of 2.89%. A quarter of the households have income of more than \$75,000. However, per capita income exceeds the national level and is only slightly below the first trade area.

Educational attainment in this trade area exceeds national averages for both bachelors’ and higher degrees, although below the first trade area.

Only 6% of the households do not have a vehicle, so nearly every household has the ability to drive to the site.

The Food Purchasing Index for this trade area is generally high, with only a few items below 100. The three highest areas are the same as the first trade area: prepared foods, specialty foods and beer.

2 - 5 Mile Band	2011 Estimate
Food At Home – Overall	94
Food Away from Home – Overall	92
<i>Market Categories</i>	
Baked goods	98
Dairy	105
Meat	88
Poultry	86
Prepared foods	107
Produce - fresh	102
Seafood - fresh	72
Specialty food	114
Sweets	106
Beverages - nonalcoholic	102
Beer	109
Wine	88

Unlike the first trade area, however, dairy and fresh produce also rank above national averages, implying that second trade area residents are more apt to buy core fresh products offered in a public market. However, there is more fresh food competition in this trade area than the first.

Overall, residents of the second trade area are likely to be the core public market shoppers. According to the customer survey, most current market customers live in this area. High educational attainment is important here, as is high per capital income.

Trade Area 3: Area between 5 mile ring and 25 mile ring

The 5 – 25 mile band contains about 432,737 people divided into 149,733 households. This area changed radically over the past decade, as population increased 56%. According to Claritas, this area will experience another 13% increase by 2016 to 488,451 people. However, the effects of the housing bust and recession might temper this projection.

Families make up a large portion (76.5%) of the households, surpassing both the other two trade areas and the national rate of 68.0%. Average household size is 2.84, well above the national average of 2.60. The median age is only 33.2, the youngest of the three trade areas and far below the national average of 37. This reflects the large number of families with children in this rapidly growing area.

Average household income in the third trade area is \$65,590, which is the highest of the three trade areas but still below the national average of \$67,529. Slightly less than a third (30%) of the households has income of more than \$75,000. Only 3% of the households do not own a vehicle so access to the downtown for shopping should not be a problem.

Educational attainment in this trade area is slightly higher for bachelors' degrees and lower for higher degrees than national figures, but well below for both compared to the first two

trade areas.

This trade area ranks above national averages for food purchasing in every category except fresh seafood and wine which are well below the national average. It is particularly strong, as the other trader areas were, on prepared foods, specialty foods and beer. Dairy, sweets and fresh produce are also all particularly high.

5 - 25 Mile Band	2011 Estimate
Food At Home - Overall	104
Food Away from Home - Overall	100
<i>Market Categories</i>	
Baked goods	108
Dairy	118
Meat	105
Poultry	101
Prepared foods	119
Produce - fresh	112
Seafood - fresh	83
Specialty food	127
Sweets	118
Beverages - nonalcoholic	113
Beer	118
Wine	90

The residents of the third trade area offer a reasonably strong target for the indoor market. A fairly small percentage of residents from this area currently shop at the outdoor market. This area has by far the largest population and the highest average household income levels. 30% of the households report income above \$75,000. Since the market can be far from their homes, access and parking are important factors to reach these potential customers. Because of the distance and the proximity of many more convenient places nearby for them to buy food, coming to the market would likely need to be an intentional destination. Saturdays and Sundays are therefore the most likely times they will come to the market.

Tourists

Tourists can make up a significant percentage of a public market's clientele, depending on its location. Tourists are often attracted to markets because they are unique places, offering a window into the culture of the region where they are located. As Americans have become more interested in food and cuisine, they are searching out public markets when they travel. Tourists are often well educated and higher income, and willing to spend significantly at a market.

Tourists are generally more interested in prepared foods and craft items than fresh foods. Some fresh food vendors in public markets have found creative ways to sell to tourists, such as the fish merchants at Pike Place Market. Some public markets experience significant challenges managing the tourist influx. The management at Pike Place Market, for example, reports that sales for fresh foods are suppressed in the summer – even though the largest quantity of locally grown items are available then – because local shoppers stay away from the market

when the aisles are clogged with tourists. Farmers at Pike Place Market actually have higher sales in the winter than in summer. The short term economics of catering to tourists sometimes drives vendors to offer more items to this customer base (prepared foods and gifts, rather than fresh foods), eroding their local clientele and eventually degrading the shopping experience for tourists, as well.

The location of the public market will greatly influence the number of tourists. If the market is easily visible and near other tourist destinations, then it is much more likely to attract tourists than a site off of the beaten path.

Given the wide variation in tourist purchases, a capture rate methodology has not been developed for tourists. Rather, we utilize a mark-up factor over the sales to local residents. For this analysis, sales to tourists have been projected at 20% of the local consumer demand.

Sales Analysis

The chart below shows Claritas estimates for aggregate annual food and beverage expenditures divided between the types of products typically found in a public market. The table on top shows estimates for 2007 and the table below shows projections for 2012.

Year 2011 Estimate	2 Mile Ring	2 - 5 Mile Band	5 - 25 Mile Band
Market Categories	(000s)	(000s)	(000s)
Baked goods	\$9,346	\$24,237	\$86,799
Dairy	\$11,150	\$29,155	\$106,147
Meat	\$11,083	\$31,134	\$119,887
Poultry	\$5,157	\$13,861	\$52,597
Prepared foods	\$5,414	\$13,589	\$48,105
Produce - fresh	\$9,578	\$25,213	\$90,286
Seafood - fresh	\$749	\$2,109	\$7,953
Specialty food	\$7,617	\$22,353	\$80,256
Sweets	\$4,368	\$11,518	\$64,056
Coffee/Tea	\$3,025	\$7,689	\$26,569
Wine/Beer	\$13,921	\$33,459	\$115,987
Total	\$81,408	\$214,317	\$798,642

Year 2015 Estimate	2 Mile Ring	2 - 5 Mile Band	5 - 25 Mile Band
Market Categories	(000s)	(000s)	(000s)
Baked goods	\$10,138	\$26,908	\$103,630
Dairy	\$12,016	\$32,217	\$126,540
Meat	\$11,890	\$34,262	\$143,236
Poultry	\$5,504	\$15,230	\$62,715
Prepared foods	\$5,806	\$14,964	\$57,101
Produce - fresh	\$10,278	\$27,721	\$107,176
Seafood - fresh	\$805	\$2,318	\$9,533
Specialty food	\$7,774	\$24,703	\$95,727
Sweets	\$4,759	\$12,770	\$76,490
Coffee/Tea	\$3,271	\$8,502	\$31,643

Wine/Beer	\$15,008	\$36,948	\$138,015
Total	\$87,249	\$236,543	\$951,806
Change 2011-2015	\$5,841 7.2%	\$22,226 10.4%	\$153,164 19.2%

Adding the various categories within each trade area, total sales potential in 2011 for residents within the 2 mile ring is \$81.41 million. Based on population change, rising wealth, and lifestyle trends, this figure is expected to increase to \$87.25 million by 2015, an increase of 7.2%. Similarly, the other two trade areas are also expected to see increased sales potential: 10.4% in the 2-5 mile band and 19.2% in the 5-25 mile band. If you combine all 3 trade areas together, expected increase in food expenditures is \$1.09 billion in 2011 and \$1.28 in 205. An increase of 16.56%:

All 3 Trade Areas	2011 Estimate (000s)	2015 Projection (000s)	\$ Change (000s)	% Change
Total	\$1,094,367	\$1,275,598	\$181,231	16.56%

These market categories do not include estimates for food purchased away from home: meals at food establishments. For 2011, food purchased away from home equaled \$37.22 million in the first trade area, \$91.56 million in the second, and \$325.66 million in the third. As the populations change and the trend toward eating more meals away from home continues, these figures are projected to increase somewhat over the next five years to \$39.13 million, \$98.68 million, and \$376.54 million, respectively. All together this is a 13.2% increase in food purchased away from home in all there trade areas. Prepared foods can be important components of public markets. Many public markets have successful restaurants, including several full service restaurants within the Ferry Plaza Marketplace and numerous restaurants within Seattle’s Pike Place Market and in and around Granville Island Public Market.

To estimate potential sales for fresh food products within the market, the consumer expenditure data is utilized with projected capture rates. See the charts in Appendix A for sales analysis of 2011. This chart repeats the product categories and sales estimates from the chart above in the first two columns. The third column, labeled “Potential,” contains a realistic estimate for the percentage of sales that the public market vendors should be able to obtain.⁷

The fourth column, labeled “Sales,” is the product of multiplying the potential by the capture percentage. For example, in the Baked Goods category, Claritas estimates \$9.35 million in consumer expenditures within the first trade area. MVI estimates that market vendors could reasonably capture 5.0% of those sales, based on our experience and research. This results in the

7. These estimates have been developed and refined by the Market Ventures, Inc. through its work planning, developing, and operating public markets and its research of other public markets around the country. The ability to achieve these capture rates will depend on the market having the qualities of other successful public markets (good location, adequate scale, convenient parking, the right tenant mix with high quality vendors, skilled management, effective marketing, etc.) The potential suggests what an accomplished vendor might realistically achieve for sales from a trade area. A particularly strong vendor might achieve higher sales from the trade area and might attract customers from outside the trade area if his/her business is unique and attractive to consumers.

potential for \$467,000 in baked goods sales at the market from residents in the first trade area. Adding the sales for baked goods across both the three trade areas, we estimate that the market could reasonably achieve \$1.51 million in baked goods sales.

Summing the sales total column for the 2 mile ring, the market could reasonably capture \$3.13 million in sales, which represents 3.8% of all fresh food sales in the zone, \$4.13 million in sales from the 2 to 5 mile band, which is 1.9% of fresh food sales in that region, and \$3.03 million from the 5 to 25 mile band, which is 0.38% of fresh food sales in that region.

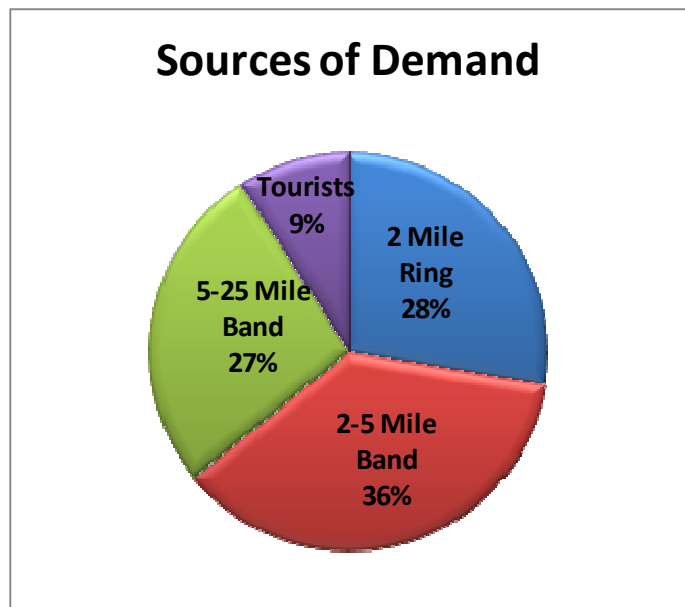
Sales to tourists can add significantly to vendor income, although the market must be vigilant about maintaining its local focus. The experience at other successful public markets is that too many tourists can drive away local customers and force merchants to deviate from the fresh food concept towards more prepared foods and prepackaged items. For this analysis, tourists are expected to generate sales of \$1.03 million, which brings total market sales potential to \$11.32 million. The chart above shows the sales potential from each trade area.

Trade Area	Demand 2011
2 Mile Ring	\$3,130,000
2-5 Mile Band	\$4,130,000
5-25 Mile Band	\$3,030,000
Tourists	\$1,030,000
Total	\$11,320,000

The analysis of sales potential was repeated using projected data for 2015. The same capture rates were therefore applied to the projected sales potential. See the chart labeled “Sales Analysis - 2015” in Appendix A. Total sales increased to \$11.9 million.

Based on the 2011 sales estimate of \$11.32 million and average sales per square foot of \$800, downtown Boise should be able to support a public market of 14,140 net leasable square feet, excluding restaurants. Based on a typical efficiency factor of 66%, the gross area of the public market is therefore 21,425 square feet.

As the chart labeled “Source of Sales” shows, the 2-5 mile band represents the largest share of sales, at 36% of the total, followed by the 2 mile ring at 28% and the 5–25 mile band at 27%. The wide dispersion of market customers will mean that a broad-based marketing strategy must be utilized to reach potential customers, although the emphasis will be on residents in Boise.



Downtown workers represent another potential source of customers for the market, particularly for ready-to-eat foods. Depending on its location, the Capital City Public Market should be able to attract some of these workers to visit the Market, especially during lunch.

For the purpose of quantitative analysis, the potential sales to downtown workers are collapsed within the sales to area residents, but the presence of the downtown workers provides support for the concept.

Market vendors and farmers will benefit from several other sources of demand for their products in the public market. Chefs and restaurateurs are increasingly looking for locally grown, fresh, and interesting foods to add to their menus. Both market farmers and merchants will be positioned to establish accounts with restaurants and other wholesale buyers, and market management should help promote and facilitate this process. In other public markets, many merchants use their market stall as a base for catering and corporate sales, which can be highly profitable. The public market provides a high-profile location to create or promote a food business, which can lead to other store locations and sales opportunities. Web-based sales are also an emerging practice among public market vendors. A store in a public market with an e-commerce web site allows a vendor to have both a real and a virtual presence.

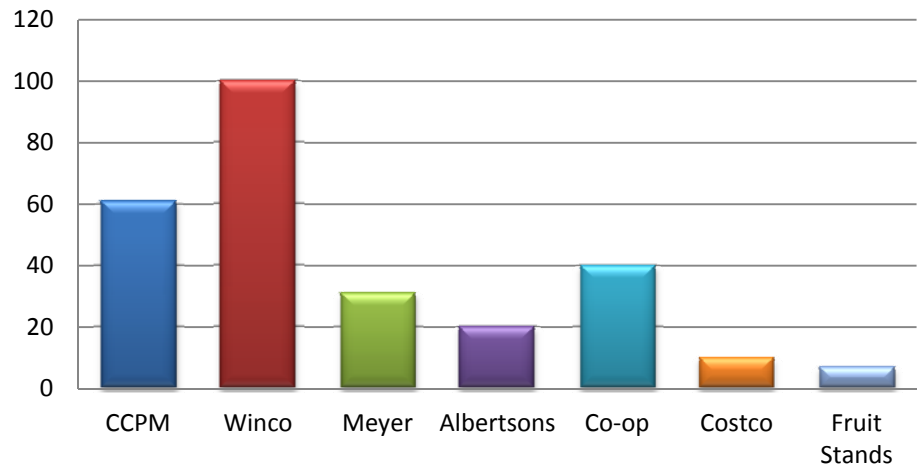
Conclusion

Based on the assumptions and methodology herein, the sales potential for a public market is adequately large to create a successful development. The public market would need to make a reasonable penetration of the market for fresh and prepared foods to reach the \$11.3 million sales level. This will require an appropriate site, strong management, and high quality vendors, which are discussed below. Respondents to both the intercept and online surveys showed strong enthusiasm for a year-round facility and indicated that they would shop there, particularly on weekends and for fresh produce.

Competitive Analysis

According to the customer intercept survey, the largest group of Market customers shop at Winco for their fresh food this time of year. The closest Winco is located on East Myrtle Street, about six blocks each of the downtown core. Two other Winco stores are located west of downtown, at 650 North Armstrong Place and 8200 Fairview Avenue. The second most frequently mentioned place to buy fresh food was CCPM, followed by the Boise Co-op.

Where buy most fresh food
Total mentions



Very importantly, ground was recently broken for a new Whole Foods Market that will be located just east of downtown on South Broadway between East Myrtle and East Front Streets. This will be the area’s first Whole Foods. Like a public market, Whole Foods makes promotion of locally grown foods a centerpiece of its brand promise and typically attracts wealthier, more educated consumers. While Whole Foods has come under criticism in some

parts of the country for not consistently delivering on its local foods promise, the chain has been very successful economically, in part by replicating many of the physical traits of public markets, including attractive physical environments, the integration of food service within the store, and the availability of locally grown and produced foods. Given their popularity and success in other communities, the presence of the Whole Foods Market will potentially absorb much of the current demand for high quality fresh foods.

The Idaho State Department of Agriculture lists 55 farmers' markets around the state, including two in Boise and two in nearby Meridian. CCPM management indicated that there are twelve farmers' markets around Boise.

The closest shared commercial kitchen is located in Caldwell and operated by the University of Idaho. Food producers from Boise frequently make the 40 minute drive to Caldwell.

Functions

Development principles

Based on the project's goals as well as the research and analysis, the following principles are suggested to guide the development of the year-round public market facility:

1. Creation of an indoor year-round facility should not harm or detract from – and ideally improve – the existing outdoor farmers' market
2. The Market needs to differ substantially in form and function from existing and emerging competition, particularly the new Whole Foods Market
3. A variety of direct marketing options should be provided to farmers and food producers, allowing them to increase their presence at the Market over time
4. The outdoor market should connect directly with the new facility
5. The Market should include food production and education components
6. The reasons why customers frequent the farmer's market, namely the experience and sociability factors as well as high quality products, should extend to the new facility
7. Development costs should be minimized since there are not large local sources of development capital available

Program elements

The proposed development program includes the following components:

1. An outdoor farmers' market with at least as much space as the Market currently provides, ideally with room for the farmers to have their trucks alongside their stands.
2. A farmers' market shed with roll up garage doors that provide a winterized facility that provides electricity and water so farmers can increase their "shoulder season" and winter harvest production over time and customers can shop at the Market comfortably throughout the year. The farmers' market shed can be integrated into the facility's parking lot so it is used for parking and events when the market activity is not taking place.
3. Year-round, daily indoor food retail with several independent vendors, notably a butcher, bakery, and brew pub.
4. Flexible indoor space that can be programmed for a number of uses, including special events, education and meetings
5. Office space for CCPM and perhaps other organizations, plus amenities such as bathrooms and common area seating.
6. Shared food production space, including facilities for a kitchen incubator program.

7. Parking for cars and bicycles

An initial estimate of the square footage devoted to each of these program elements includes the following range:

Element	Size/square foot range	
Outdoor farmers' market (on street)	5 city blocks	
Farmers' market shed	8,000	15,000
Flexible education/event space	4,000	6,000
Office space & amenities	1,500	2,500
Indoor food retail/restaurant	12,000	20,000
Common area	6,000	10,000
Shared food production space	2,500	5,000
Total	34,000	58,500

Depending on the location, the indoor facility could also have other tangentially related retail or commercial space. Ideally, this space could provide a rental income stream to the Market and a customer attraction to the facility.

Financial Analysis

Operations *pro forma*

Based on operating costs at similar public markets in other communities and local conditions, a five year operating statement for the public market was prepared. This includes estimates for rental income from each income source, along with operating expenses such as personnel, marketing, waste hauling, utilities, insurance, etc.

The pro forma model builds from CCPM's existing operating experience since the Market is envisioned as a single operating entity.

Income

For this initial operations *pro forma*, the building program includes:

Leased space	Number	Ave. sf	Total sf	Rent/sf	Total rent
Restaurant/Brew pub	1	5,000	5,000	\$12.00	\$60,000
Bakery/café	1	5,000	5,000	\$12.00	\$60,000
Fresh food vendors	4	1,200	4,800	\$20.00	\$96,000
Prepared food vendors	3	600	1,800	\$26.00	\$46,800
<i>Subtotal</i>	9		16,600		\$262,800

The pro forma assumes an outdoor farmers' market shed with 30 stalls. It operates one day per week in the first year and then adds days in years two and five; winter operation goes to two days per week in year four. The economic model identifies year one daily rent as \$40 per stall, which is just \$5 more than the current fee for agricultural producers at the outdoor market. The fee varies based on the season, with low rates in winter, peak rates in summer, and discounted rates in spring and fall. The average daily rates drop when an additional day of operation per week is added. The rate also increases incrementally in years three through five. The following chart shows the assumptions and the rent per year over a five year period.

Farmers' Market Shed					
Capital City Public Market					
	Year 1	Year 2	Year 3	Year 4	Year 5
Stalls	30	30	30	30	30
Peak base rate/stall	\$40.00	\$40.00	\$42.00	\$44.00	\$46.00
Base rate increase	0%	0%	5%	5%	5%
Days/week (Jan-March)	1	1	1	2	2
Days/week (April-Dec)	1	2	2	2	3
Seasonal rates/day	Rate/day				
Jan-Mar	\$ 20.00	\$ 20.00	\$ 21.00	\$ 24.00	\$ 25.00
Apr-Jun	\$ 35.00	\$ 30.00	\$ 32.00	\$ 34.00	\$ 36.00
Jul-Sep	\$ 40.00	\$ 35.00	\$ 37.00	\$ 39.00	\$ 41.00
Oct-Dec	\$ 35.00	\$ 30.00	\$ 32.00	\$ 34.00	\$ 36.00
Vacancy					
Jan-Mar	60%	50%	40%	55%	45%
Apr-Jun	35%	50%	40%	30%	45%
Jul-Sep	15%	30%	20%	10%	25%
Oct-Dec	35%	50%	40%	30%	45%
Rent					
Jan-Mar	\$ 3,120	\$ 3,900	\$ 4,914	\$ 8,424	\$ 10,725
Apr-Jun	\$ 8,873	\$ 11,700	\$ 14,976	\$ 18,564	\$ 23,166
Jul-Sep	\$ 13,260	\$ 19,110	\$ 23,088	\$ 27,378	\$ 35,978
Oct-Dec	\$ 8,873	\$ 11,700	\$ 14,976	\$ 18,564	\$ 23,166
Total	\$ 34,125	\$ 46,410	\$ 57,954	\$ 72,930	\$ 93,035

Other sources of income include site rental for catered events and hourly rental of the shared commercial kitchen:

Catered events rental	Year 1	Year 2	Year 3	Year 4	Year 5
Events/year	50	55	55	60	60
People/event (average)	50	55	60	65	70
Site fee/person	\$3.50	\$3.50	\$4.00	\$4.00	\$4.50
Income	\$8,750	\$10,588	\$13,200	\$15,600	\$18,900

Shared commercial kitchen	Hours/mo	Rate/hour	Rent
Shared kitchen	288	\$15.00	\$4,320

The economic model also assumes the Market will attract some grants for educational programming and some miscellaneous income, as it does now.

Expenses

The largest expense facing the Public Market is labor. Using the Market's current staffing as a starting place, the pro forma includes salary increases to reflect the larger responsibility of running an indoor market and additional staff for custodial purposes, as well as fringe benefits for full time employees.

Key operating expenses include:

	FY2010	Year 1
Market operations		
Maintenance/repair		\$ 25,000
Personnel*	\$ 84,600	\$ 218,667
Telephone/Web	\$ 3,900	\$ 5,000
Professional/legal fees	\$ 13,400	\$ 18,000
Supplies, Printing, Misc	\$ 12,820	\$ 25,000
Utilities		\$ 35,000
Waste removal		\$ 12,000
<i>Subtotal</i>	\$ 114,720	\$ 338,667
Personnel		
Market Director	\$ 30,000	\$ 50,000
Asst Dir/Marketing Coordinator	\$ 20,000	\$ 30,000
Asst Dir/Vendor Coordinator	\$ 20,000	\$ 35,000
Staff/Office Administrator	\$ 7,200	\$ 15,000
Staff/Facilities Manager (PT)	\$ 5,400	\$ 15,000
Temp/Custodial (1.5 FTE at \$8.50/hr)	\$ 2,000	\$ 23,205
Fringe benefits		\$ 33,641
Payroll tax		\$ 16,821
<i>Subtotal</i>	\$ 84,600	\$ 218,667
Annual raise		3.5%
Fringe benefits		20%
Payroll taxes		10%

Profit and Loss Statement

Putting the income and expenses together, the following spreadsheet shows that the Market should break even in year one with \$25,000 set aside for an operating and capital reserve each year. This model assumes that there is no debt service on the real property.

	FY2010	Year 1	Year 2	Year 3	Year 4	Year 5
Income						
Rents						
Outdoor vendor fees	\$ 152,475	\$ 152,475	\$ 152,475	\$ 157,049	\$ 161,761	\$ 166,614
Annual permits	\$ 14,975	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883
Farmers' market shed		\$ 34,125	\$ 46,410	\$ 57,954	\$ 72,930	\$ 93,035
Food retail/restaurant		\$ 262,800	\$ 262,800	\$ 270,684	\$ 278,805	\$ 287,169
Events						
Art under the Stars	\$ 1,000					
Event rental		\$ 8,750	\$ 10,588	\$ 13,200	\$ 15,600	\$ 18,900
Miscellaneous						
Grants for education		\$ 5,000	\$ 10,000	\$ 15,000	\$ 15,000	\$ 15,000
Shared kitchen		\$ 4,320	\$ 4,320	\$ 4,450	\$ 4,583	\$ 4,721
Misc. revenue	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Subtotal	\$ 169,450	\$ 483,470	\$ 503,043	\$ 535,250	\$ 566,069	\$ 603,320
Operating Expenses						
Rent/Fees	\$ 21,700	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
Market operations	\$ 114,720	\$ 338,667	\$ 349,237	\$ 360,160	\$ 371,447	\$ 383,109
Marketing/Education	\$ 29,000	\$ 75,000	\$ 77,250	\$ 79,568	\$ 81,955	\$ 84,413
Insurance	\$ 1,500	\$ 13,750	\$ 14,163	\$ 14,587	\$ 15,025	\$ 15,476
Property tax		\$ 17,500	\$ 18,025	\$ 18,566	\$ 19,123	\$ 19,696
Subtotal	\$ 166,920	\$ 449,917	\$ 463,825	\$ 478,185	\$ 493,013	\$ 508,322
Net Operating Income	\$ 2,530	\$ 33,554	\$ 39,218	\$ 57,065	\$ 73,057	\$ 94,998
Reserve		\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Profit (Loss)		\$ 8,554	\$ 14,218	\$ 32,065	\$ 48,057	\$ 69,998

Development Estimate

The cost of development is highly dependent on the site, program, size, and design choices, including the level of sustainable or “green” components. The development cost of the Portland Public Market, at 32,000 square feet and completed in 1998, was approximately \$9 million. The Milwaukee Public Market, with a 25,000 square foot footprint and completed in 2005, had a development budget of \$11 million. The Grand Rapids Urban Market, a mixed used project including an indoor market hall and outdoor farmers’ market, contains 135,000 square feet and the development budget is \$28 million. The following chart shows a range of development costs based on a high and low estimate for square feet and a high and low estimate for cost per square foot:

Development Cost Estimate		Square foot range	
Rate/sf range		34,000	58,500
	\$175	\$5,950,000	\$10,237,500
	\$225	\$7,650,000	\$13,162,500

These figures exclude site acquisition and site improvements such as parking.

One important aspect of the development budget is tenant allowances. These are used to offset some of the costs associated with fitting out a tenant space, which typically include plumbing, electricity, final finishes, fixtures (including refrigeration), equipment, and signage.

The development budget should also have an operating reserve in case of lower than anticipated rents or higher than expected expenses.

Benefit analysis

As stated at the report’s outset, the goal of the development project is to build on the success of the weekly outdoor Capital City Public Market by creating a year-round indoor-outdoor facility that will:

1. Strengthen and celebrate Boise’s local food system by creating new economic and educational opportunities,
2. Create a dynamic downtown place that attracts the region’s residents and visitors and helps revitalize the neighborhood around it, and
3. Promote healthy lifestyles and create a model of sustainable community development.

Based on the research and analysis, the proposed development concept should provide a range of benefits to the community in support of these goals. Some of these benefits will flow directly to local farmers and food producers and to area consumers, and others will have an indirect effect through economic multipliers that flow throughout the community.

MVI will make high-level identification of potential beneficiaries of the public market in terms of direct and indirect benefits. Numbers of new businesses and jobs will be estimated, as well as sales of locally produced food and the potential impact of an active new public space on the downtown.

Based on the proposed development program, some of the key benefits include:

- **Expanded direct marketing opportunities for the region’s farmers and food producers.** The proposed concept builds upon the successful seasonal outdoor market and provides low cost year-round direct marketing options for farmers and food producers in a winterized farmers’ market shed. This opportunity will be available to dozens of food producers and fits well with their current marketing strategies and

capabilities. It is also clearly differentiated from the shopping experience at existing and proposed supermarkets, including the coming Whole Foods Market. Farmers will have the incentive to expand their harvest season because they will have a consistent place to sell their products throughout the year.

- **Job creation.** New jobs will be created by the retail, restaurant, and food production functions of the new facility. Based on the anticipated operating schedule, the farmers' market shed should create 7.7 FTE jobs in year one and expand to 24.9 FTE jobs by year five. Jobs will also be created by the permanent retailers and restaurants, by the shared commercial kitchen, and in Market management.
- **Support for entrepreneurs and start-up businesses.** Public markets are natural business incubators because they provide low cost marketing opportunities for start-up businesses and mentoring relationships among businesses and between businesses and management. The year-round facility as described will expand this benefit through opportunities for food production in the shared commercial kitchen and through additional marketing opportunities in the enclosed market shed and inside the facility.
- **Activation of downtown public spaces.** CCPM has proven its ability to activate downtown Boise by consistently bringing thousands of customers to the downtown each Saturday. Many of these customers shop at nearby retailers and today there are nearly no vacancies in the blocks where the Market operates. The year-round market facility will expand this benefit by attracting customers throughout the week, potentially creating a signature development that will attract customers from throughout the region as well as tourists. Event space in the Market will encourage social interaction and more activity in the downtown.
- **Education and access to fresh healthy foods.** CCPM actively promotes consumption of fresh healthy foods to lower income households through its SNAP EBT program and outreach efforts. The year-round facility will expand this food access function and will have educational facilities where there can be regular classes and demonstrations to encourage all residents to increase their intake of local fresh foods.

Conclusion

The Capital City Public Market has proven itself to be a successful open-air downtown market that enjoys great popularity and a strong following among Boise area residents. After fifteen years of operation, there is strong momentum and popularity for adding an indoor component to the market. The indoor market is not meant to replace the outdoor market, but rather build upon its achievements and provide additional opportunities for both food producers and consumers.

While the second phase of the feasibility study will include site identification, there is strong support and rationale for keeping the Market in the downtown. Finding a site that can accommodate the outdoor market and indoor facilities will likely require moving the Market from its current location but it should not move more than several blocks. It is critical that the indoor facility be adjacent to the outdoor market.

Respondents to both the intercept and online surveys voiced strong support for an indoor facility, as long as it would not detract from the outdoor market. They are particularly interested in having more access to fresh fruits and vegetables. While the relatively long winter season and lack of water irrigation limits fresh food production, great strides have been made in low input season extension technologies, allowing a longer harvest period for a number of vegetables. Customers are also very interested in baked goods and meat, both of which are available year-round.

Based on the region's population and other demographic factors, the demand analysis found adequate demand for a market facility to be successful. However, the planned opening of Whole Foods Market near downtown will likely satisfy much of the area's demand for fresh local foods. Therefore it is critically important that the new facility be developed in a manner that clearly distinguishes it from a supermarket such as Whole Foods. Three key elements in the proposed program statement that accomplish this goal are the weekly outdoor farmer's market, the winterized farmers' market shed, and the shared commercial kitchen. The winterized shed in particular will allow farmers and food producers to market their products directly to consumers, as they do now, but in a more comfortable year-round environment. Operating costs for these two elements are low so the cost for food producers can be low, too.

The shared commercial kitchen responds to a need voiced by many key informants for low cost, accessible food production space. Public markets around the country are increasingly integrating shared commercial kitchens into their facilities. A key benefit of having a shared kitchen within a public market environment is the opportunity for food producers to gain valuable information by test marketing their products and interacting with retailers, as well as selling their products to both consumers and wholesale buyers. The shared commercial kitchen also benefits from the Market's management staff so it does not need its own dedicated staff. Finally, the kitchen reinforces the Public Market as a center of innovation and makes it more likely that consumers will find something new and interesting at the Market.

Feasibility for a new public market often hinges on finding qualified and interested vendors who want to establish daily operations within the market. Most parts of the country struggle to find specialty food retailers such as butchers and fishmongers to tenant a market successfully. Several existing Public Market vendors have expressed their desire to become

permanent retailers, as have a successful restaurateur and baker. These form the basis for the leasing opportunity in Boise. The recommended permanent retail component of the proposed facility, at about 12,000 square feet, is scaled to meet the identified demand for vendor space.

Based on the criteria established at the outset of this study, there is adequate basis and support to continue exploring the feasibility of a year-round, indoor market in Boise. Site selection, design concept, and more detailed financial analysis will provide further information to create an appropriate development concept that can be financially successful and provide significant benefits to the community.

Appendix A. Sales Analysis

Sales Analysis - 2011

Boise, ID

Market categories	2 Mile Ring			2-5 Mile Band			5-25 Mile Band			Total		
	Demand (000s)	Capture Rate	Potential (000s)	Demand (000s)	Capture Rate	Potential (000s)	Demand (000s)	Capture Rate	Potential (000s)	Demand (000s)	Demand Total (000s)	% of total
Baked goods	\$9,346	5.0%	\$467	\$24,237	2.5%	\$606	\$86,799	0.50%	\$434	\$120,382	\$1,507	14.7%
Dairy	\$11,150	4.0%	\$446	\$29,155	2.0%	\$583	\$106,147	0.40%	\$425	\$146,452	\$1,454	14.1%
Meat	\$11,083	3.0%	\$332	\$31,134	1.5%	\$467	\$119,887	0.30%	\$360	\$162,104	\$1,159	11.3%
Poultry	\$5,157	4.0%	\$206	\$13,861	2.0%	\$277	\$52,597	0.40%	\$210	\$71,615	\$694	6.7%
Prepared foods	\$5,414	3.0%	\$162	\$13,589	1.5%	\$204	\$48,105	0.30%	\$144	\$67,108	\$511	5.0%
Produce - fresh	\$9,578	6.0%	\$575	\$25,213	3.0%	\$756	\$90,286	0.60%	\$542	\$125,077	\$1,873	18.2%
Seafood - fresh	\$749	5.0%	\$37	\$2,109	2.5%	\$53	\$7,953	0.50%	\$40	\$10,811	\$130	1.3%
Specialty food	\$7,617	4.0%	\$305	\$22,353	2.0%	\$447	\$80,256	0.40%	\$321	\$110,226	\$1,073	10.4%
Sweets	\$4,368	2.0%	\$87	\$11,518	1.0%	\$115	\$64,056	0.20%	\$128	\$79,942	\$331	3.2%
Coffee/Tea	\$3,025	3.0%	\$91	\$7,689	1.5%	\$115	\$26,569	0.30%	\$80	\$37,283	\$286	2.8%
Wine/Beer	\$13,921	3.0%	\$418	\$33,459	1.5%	\$502	\$115,987	0.30%	\$348	\$163,367	\$1,267	12.3%
Total/Average/Total	\$81,408	3.8%	\$3,127	\$214,317	1.9%	\$4,126	\$798,642	0.38%	\$3,031	\$1,094,367	\$10,284	100.0%

Notes

Nielsen estimates for 2011 Consumer Spending Patterns

Assumes no growth in food expenditures when public market is in place

Estimated demand	\$10,283,937
Tourist demand	10.0% \$1,028,394
Total demand	\$11,312,331
Average sales per sf	\$800
Supportable sf (net)	14,140
Supportable sf (gross)	21,425