

II. BACKGROUND AND METHODOLOGY

Background

MapInfo was commissioned by the Hibbing Economic Development Authority to develop a strategic plan for the recruitment and retention of retail within the city, focusing primarily on the downtown and the Irontate Mall area. Specifically, MapInfo assessed the city of Hibbing to determine what, if any, new retail development would be supportable and what steps the community needs to take in order to make its retail, both new and existing, more viable.

The following specific issues were addressed as part of this study:

1. Is additional retail development viable within Hibbing?
2. To whom would this retail appeal? That is, what are the population and demographic characteristics of trade area residents?
3. What type of retail should be attracted? In particular, should the proposed retail component have a neighborhood, specialty, or regional appeal?
4. What types of retail are supportable and where within the city should they locate?

The results of this analysis are based upon the following assumptions:

1. Housing and population growth will occur as projected herein, except as indicated in the alternate scenarios.
2. No new retail/commercial development will occur unless mentioned in this report.
3. Infrastructure changes will be made to the relevant access routes to ensure ease of access and improved mobility throughout the study area.
4. The retail establishments will operate in a manner consistent with successful retailing, including remaining open during hours that are convenient to potential customers, maintaining clean facilities and streetscaping, and applying appropriate visual merchandising.

Methodology

To address the above issues, a detailed field evaluation of retail in the study area, as well as major existing and planned shopping centers in and surrounding the defined trade area was conducted in mid-October 2006. During this evaluation, MapInfo thoroughly drove the market and visited/evaluated the major existing and planned retail concentrations in it. The area was visited during the daytime, as well as in the evening, to gain a qualitative understanding of the retail gravitational and traffic patterns throughout the study area.

We then defined trade areas for the city, based on the field evaluation and information provided by the client. These trade areas were defined as a primary trade area and a secondary trade area. A tertiary trade area was developed to accommodate retailers with more substantial drawing power, as well as the ability of the Hibbing area to attract visitors from north of the city including Canada and the twin cities of Minneapolis-St. Paul to the south for tourism activities. This trade area was also developed and will be discussed as a unique entity in the area due to its above-average capacity to generate retail potential. Population and demographic characteristics were collected by census tract and updated based on information gathered from various local sources and MapInfo demographic data. This study assumes that all local data is accurate and reliable.

Finally, based on the population and demographic characteristics of the trade areas, the existing and known retail competition, and traffic and retail gravitational patterns, we developed our qualitative assessment for the retail component of Hibbing. This assessment included incorporating the existing square footages for a variety of retail categories, the expenditure potential for each retail category, and the growth of the area to determine what retail categories are under-represented.

The expenditure potential refers to the total dollar amount estimated to be available for each retail category as published by the U.S. Census Bureau and supplemented with data from MapInfo. Expenditure potential will not increase for any given retail category as more competitors are introduced into a market, but rather the market share for each unit will be

redistributed. Expenditure potential increases with population growth and an increase in household income levels.

By calculating what proportion of the area's expenditure potential is already accounted for by the existing and planned retail, it can be determined what retail categories have sufficient potential remaining. This methodology assumes there is no "over-storing" in a market. In other words, each retail category will attempt to reach the limit of its expenditure potential, but not go beyond the potential.