Market feasibility overview for Huntington Station, NY

RESTAURANT ROW

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Overview
Members of Source the Station have nominated and shown strong support for development of a restaurant row in Huntington Station. The Source the Station retail campaign website describes the cluster this way:

“A diverse cluster of restaurants and cafes that make up a culturally rich dining destination in Huntington Station. This could offer a different variety and price point than the village currently offers, including ethnic, international, and ‘experience-based’ places that go beyond just serving food and drink.”

This report explores the feasibility of such a restaurant cluster and provides suggestions on how it might operate.

Concept profile
Restaurant clusters – generally considered to be a group of six or more restaurants located within 500 feet of one another – are a very popular component of many new and historic mixed-use downtowns. When successful, the restaurants serve as a regional magnet, attracting customers from throughout and beyond the community. And being co-located with other restaurants almost always boosts a restaurant’s chances of success. The presence of other restaurants generates foot traffic for the cluster, exposing more potential customers to each restaurant’s menu and dining experience. There are three basic types of restaurant clusters:

- Those that offer a concentration of a particular type of cuisine (e.g., restaurants in neighborhoods with a predominant ethnic group, such as a Chinatown or “Little Italy”)
Those that offer a concentration of restaurants with similar price points (e.g., a group of worker-oriented quick service restaurants)

Those that offer a variety of cuisine and dining experiences.

In almost all instances, restaurant clusters are dependent on proximity to high concentrations of residents, workers, and/or visitors. According to empirical data about the performance of restaurant clusters, the overall success of restaurant clusters is not significantly affected by the education levels, housing values, or household incomes of nearby residents. But they appear to be more likely to be successful in areas with relatively high percentages of residents whose commute to work is 30 minutes or less.

The overall ambiance of a restaurant concentration – the appearance of its storefronts; lighting; how safe it feels; the condition of sidewalks and public amenities; the brightness and openness of storefront windows; the presence of other active retail businesses – strongly influences the cluster’s overall performance. This is particularly important with restaurant clusters offering cuisine from a variety of cultures or offering a cuisine somewhat unfamiliar to the majority of the community’s residents and workers; it is imperative that as many customers as possible feel comfortable exploring the cluster’s restaurants, cuisines, and cultural experiences.

Some communities have found that restaurant clusters that include vibrant late-night bar scenes sometimes create problems – noise, public rowdiness, safety concerns. For this reason and other, some cities have chosen to limit the numbers of restaurants permitted within commercial districts. Limits are typically established based on characteristics such as linear square footage (Washington, DC, for example), numbers of liquor licenses issued (Boston), numbers of food service establishments per capita, or total occupancy (Berkeley). The Responsibility Hospitality Institute, a national nonprofit organization supported partly by alcoholic beverage brewing/distilling and distribution companies, offers guidance to help communities develop safe, vibrant nighttime entertainment economies through its Sociable City program. The program advocates inclusion of six core elements into hospitality zones:
- Entertainment (venues, marketing)
- Multi-use sidewalks (outdoor dining, public events, pedestrian safety, lighting)
- Quality of life (noise control, trash management, prevention of vandalism, resident forums)
- Transportation (taxi service, safe rides, DUI prevention)
- Public safety (street ambassadors, crime prevention, crowd control)
- Venue safety (server training, security training, safety planning)

**Existing retail services**

There are nearly 200 restaurants within two miles of the intersection of New York and Railroad Avenues [Table 1]. About one-quarter of these are chain restaurants. Nearly two-thirds of them fall within the Huntington Census Designated Place (CDP), with the remainder falling within the Huntington Station CDP. Those closest to the train station are Maria’s Famous Pizza Chicken (1044 New York Ave), El Pichacho (1026 New York Ave) and Golden City Chinese Kitchen (953 New York Ave).

| NAICS     | Category                           | Two-mile radius | |      | Within                          | |      | Within                          |
|-----------|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 772410    | Drinking places                    | 12 6.4%         | 7 6.0%          | 5 7.2%          |
| 772511    | Full-service restaurants           | 137 73.3%       | 90 76.9%        | 47 68.1%        |
| 772513    | Limited-service restaurants        | 21 11.2%        | 10 8.5%         | 11 15.9%        |
| 772515    | Snacks and non-alcoholic beverages | 17 9.1%         | 10 8.5%         | 7 8.7%          |
|           |                                    | 187 100.0%      | 117 100%        | 70 100%         |

**Table 1.** Numbers of restaurants within two miles of the intersection of New York and Railroad Avenues, and the numbers of those restaurants that fall within the Huntington CDP, and within the Huntington Station CDP.
Market demand
We began our analysis of the market feasibility of a restaurant row by looking broadly at the amount of market demand generated by residents of the Huntington Station CDP, then comparing this with the sales levels we estimate that Huntington Station’s restaurants are currently capturing.

We found that the Huntington Station CDP is experiencing an annual sales leakage of roughly $19.7 million in dining out – meaning that its restaurants are capturing about $19.7 million less in sales than Huntington Station’s residents are spending. This unmet market demand is more or less evenly divided between demand for full-service restaurants and for limited-service restaurants.

In theory, a group of new restaurants in Huntington Station might be able to capture these sales. In practice, however, it is unlikely that a group of new restaurants would be able to capture all of it. Huntington Station residents undoubtedly patronize restaurants throughout the Town of Huntington and beyond for a variety of reasons. While the addition of a new cluster of restaurants in Huntington Station would most likely entice them to spend more of their dining dollars in Huntington Station, their underlying dining patterns and loyalties to favorite and familiar restaurants outside the community will likely remain. So, while it is reasonable to assume that, if the cluster offered something unique within the regional marketplace, if its restaurants were well managed and marketed, and if they had enough capital to cover start-up costs and operating costs for their first year or two of operation (while building a clientele), a new restaurant cluster in Huntington Station would be able to capture some portion of the $19.7 million in restaurant meals the community’s residents are now buying elsewhere.

At the same time, though, a new cluster of restaurants in Huntington Station could attract customers from throughout the Town of Huntington and, to a lesser extent, from throughout Suffolk County. And, if the new restaurant cluster were located near the Huntington Station LIRR station, rail commuters whose trips begin or end at Huntington Station might constitute an additional customer segment for the restaurants. The success of a potential restaurant cluster
ultimately relies as much on its appeal to this larger market as it does to its appeal to residents of Huntington Station proper.

Using data from the 2010 Census of Population and the 2010 Consumer Expenditure Survey, we estimated how much market demand for restaurant meals might be generated by each of these three customer segments – Huntington Station CDP residents, Town of Huntington residents, and Huntington Station LIRR commuters.

Next, we developed estimates of how much market demand these new restaurants might be likely to capture (assuming good management and marketing, adequate capitalization, and other sound business practices), based on minimal, moderate, and aggressive levels of market penetration. “Minimal”, “moderate”, and “aggressive” are relative, but some rough benchmarks include:

- **Minimal:**
  - Typical restaurant hours
  - No special marketing activities
  - Menu items typical of or inferior to comparable restaurants within the region
  - Average façade and interior design

- **Moderate:**
  - Extended morning and evening hours
  - Menu items on a par with comparable restaurants within the region
  - Some special marketing activities
  - Better-than-average façade and interior design
  - Good customer service

- **Aggressive:**
  - Extended morning and evening hours
  - A noteworthy menu, featuring items not commonly available elsewhere within the region
Numerous special marketing activities
- Multiple ways to reach customers and potential customers
- Exceptional façade and interior design
- Exceptional customer service

We also took into consideration whether the restaurant cluster might have visibility and access from New York Avenue, as this would almost certainly have a very significant positive impact on the potential success of the restaurant cluster, particularly in terms of attracting customers who live outside the Huntington Station CDP.

<table>
<thead>
<tr>
<th>Product/service</th>
<th>Limited New York Ave visibility</th>
<th>Strong New York Avenue visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum</td>
<td>Moderate</td>
</tr>
<tr>
<td>LIRR commuters</td>
<td>$225,000</td>
<td>450,100</td>
</tr>
<tr>
<td>Huntington Station CDP residents</td>
<td>659,000</td>
<td>1,098,400</td>
</tr>
<tr>
<td>Town of Huntington residents</td>
<td>835,500</td>
<td>1,670,900</td>
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</tbody>
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Table 2. Summary of likely market demand for restaurant meals available in a restaurant cluster from three customer groups (LIRR commuters whose trips begin or end at Huntington Station; residents of the Huntington Station CDP; and residents of the Town of Huntington).

Our estimates do not include market demand that might be generated by people who might live in future housing units near the Huntington Station LIRR station or people who might work in future businesses there. If new housing units and offices are developed near the train station, they would further strengthen the customer base for a restaurant cluster.

**Discussion**

It appears that a healthy amount of market demand exists for a cluster of restaurants in Huntington Station – but there are several conditions that might help ensure the cluster’s successful performance:
Physical proximity to one another is essential. Each restaurant would almost certainly be more successful as part of a cluster than it would be if it were sited alone.

People commuting through Huntington Station’s LIRR station will be an important customer segment for the restaurant cluster, but not as important as Town of Huntington residents.

As mentioned earlier, good visibility and access from New York Avenue would be critical for the cluster’s likely success.

Huntington Station’s ethnic and cultural diversity would be a significant potential strength for the restaurant cluster. Just as the Source the Station description of a potential restaurant row mentions, we agree that a restaurant cluster in Huntington Station would likely be most successful by differentiating itself from restaurant offerings in Huntington Village and by focusing on cuisine reflecting the community’s cultural heritage. However, restaurants must be very inviting to customers unfamiliar with the cuisine and culture. This means, for example, that signs and menus should be bilingual and that staff should be able to assist customers in English. Staff should be sensitive to the possibility that new patrons not familiar with the cuisine and culture might initially feel uncomfortable, and they should therefore greet patrons warmly and help them settle in.

The restaurant cluster should offer a high quality dining experience – good interior and exterior design, good signage, superior service, and great food.

Almost all restaurants require a substantial upfront capital outlay to cover the costs of equipment and furnishings and to cover operating expenses during the time needed to build a clientele. We recommend that, to help support restaurants during this crucial start-up phase, one or more financing/capitalization programs be put in place. A couple of examples from other communities:

- Allentown, Pennsylvania’s Restaurant Row Grant program offers outright grants to help defray the costs of interior construction, fixtures, façade design/improvements, and signs
for restaurateurs willing to locate within a seven-block section of the downtown district. Grants cover 50 percent of eligible expenses, up to a maximum of $50,000. The program gives priority to fine-dining restaurants likely to stimulate growth of restaurant clusters.

- Winston-Salem, North Carolina’s Restaurant Row program provides loans for up to 70 percent of start-up costs for restaurateurs willing to locate in a targeted section of the downtown district. The City uses some of its Community Development Block Grant allocation to defer loan repayments for participating restaurants for two years.

The financing/capitalization program could be developed and administered by one of several organizations and agencies, in partnership or alone.
General limitations and disclaimer
Retail market analyses, their components, and derivative business development plans provide important guidance on how a business or commercial center should, theoretically, be able to perform and on the sales levels businesses should be able to achieve. However, a number of factors affect the actual performance of retail businesses and commercial centers, including the skills of the business operator and property manager, level of business capitalization, the quality of the physical environment, changes in overall economic conditions, the effectiveness of business and district marketing programs, and many other factors. The information in this report is intended to provide a foundation of information for making business development decisions for Huntington Station, but it does not, and cannot, ensure success.