



# Northern Kentucky Neighborhood Market DrillDown

Catalyzing Business Investment in Inner City Neighborhoods



September 2007



## DrillDown Overview

Property Advisors, in the early stage of an ambitious three-phase study that will examine the entire Cincinnati metro area, engaged Social Compact to conduct a DrillDown analysis of portions of the the core Cincinnati metro area including Cincinnati, OH, Covington, KY, and Newport, KY with the aim of leveraging the results to inform economic development strategies and determine where underserved and undervalued markets may exist within the specified geography. Taken together, these municipalities are part of a thriving metro area economy. And though different in size and scope from Cincinnati, OH, the northern Kentucky communities just across the Ohio River from downtown Cincinnati contribute unique experiences and opportunities to the metro area and are home to strong commercial corridors and stable neighborhoods. Through the uniform lens of the Drill-Down methodology, these findings for the downtown areas of Covington and Newport are intended as an addendum to the previously published DrillDown work in Cincinnati in order to better inform economic development in these communities and the metro area as a whole.

## Background

In recent years, inner-city neighborhoods have come to represent billions of dollars in untapped buying power and retail leakage. The ethnic and cultural diversity of urban residents represent myriad opportunities for local entrepreneurs, niche markets and new markets for financial services, corporate retailers and other commercial investors. Despite this opportunity barriers to private investment in underserved neighborhoods persist. As a result, urban residents lack access to basic goods and services at competitive prices, and retailers and developers are unable to capitalize on the fundamental assets of inner-city, urban communities.

Underserved urban neighborhoods are often negatively stereotyped and defined by deficiencies rather than strengths. The reason for this is manifold. First, deficiency-based depictions are necessitated by funding and policy regulations that require a neighborhood to demonstrate need for federal subsidies and social service programs. While these depictions attest to social need, they do little to highlight neighborhood strengths and economic opportunity. Second, excessive media coverage of undesirable characteristics such as crime, poverty, and blight perpetuate negative perceptions of these inner-city neighborhoods. Finally, lack of dependable business-oriented data on underserved communities expands the information gap on market trends, disabling potential investors from making informed decisions. Combined, these factors contribute to a cycle of missed opportunities in underserved urban markets.

### THE DRILLDOWN: BRIDGING THE INFORMATION GAP

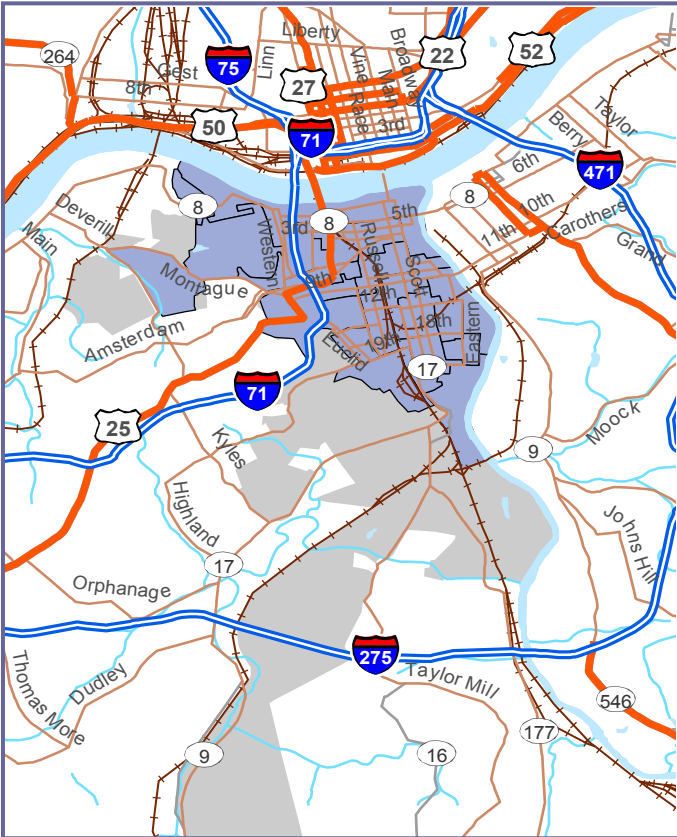
Beginning with the premise that a significant reason for inner-city disinvestment is lack of good market information, Social Compact developed the Neighborhood Market DrillDown to address key barriers to private investment in and around inner-city neighborhoods. Social Compact offers its neighborhood market analyses to local governments, community organizations and businesses looking to attract investment or to invest in inner cities. These analyses provide alternative assessments of population, income and housing that do not rely on outdated and potentially inaccurate decennial census data.

The DrillDown was established to provide up-to-date profiles of market strength, stability and opportunity for small, dense, and rapidly changing urban geographies. The DrillDown builds on current, finely sieved market information drawn from a wide spectrum of commercial, proprietary and local government sources (e.g. tax assessor, building permit, commercial credit companies and realtors). Rather than relying on any one information set, the DrillDown findings surface from a combined body of data. These findings, tested against supplemental data and the intuitive knowledge of local market leaders, serve as the foundation for an objective, systematic analysis of business attributes.

Based on this data, Social Compact has developed indicators of market size, strength and stability.

# Covington Urban Core

## DrillDown Market Overview



	2007 DRILLDOWN	2006 Census Trend Proj	2000 Census	Comparison DrillDown/Trend Proj
<b>MARKET SIZE</b>				
Total Population	26,518	22,240	23,781	19.0%
Population per Acre	11.3	9.5	10.2	-
Total # Households	12,251	10,310	10,649	19.0%
<b>MARKET STRENGTH</b>				
Average Household Income	\$39,259	\$44,506	\$37,505	-12.0%
Median Household Income	\$27,837	\$33,850	\$28,131	-18.0%
Aggregate Neighborhood Income	\$481 Million	\$459 Million	\$399 Million	5.0%
Aggregate Income per Acre	\$205,327	-	-	-
% Informal Economy	6.90%	-	-	-
Avg Income, New Home Buyers	\$57,556	53% above Census Avg Inc		
% Change in IRS Adj. Gross Inc	-1% ('98-'04)	-	-	-
<b>MARKET STABILITY</b>				
% Owner Occupancy - Unit	33.9%	39.8%	40.0%	-
% Owner Occupancy - Bldg	44.2%	-	-	-
Median Home Sale Value	\$78,000	\$78,172	\$65,954	0.0%
New Construction Units ('02-'05)	245	23.0 Per 1K Household		
Residential Rehab Permits	20.1 Per 1K Household			

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### DrillDown Market Overview

BUSINESSES	Total #	Total Revenue	Total # Employees	Employee Annual Spending Potential		
All Businesses	1,351	\$2,183 Million	17,672	x \$2,787 / yr =	\$52.2 Million	
Small Business (Empl. 51 - 100)	26	\$116 Million	1,825			
Small Business (Empl. 20 - 50)	103	\$381 Million	3,208			
Small Business (Empl. 6 - 19)	216	\$315 Million	2,286			
Small Business (Empl. 1 - 5)	531	\$183 Million	1,304			

GROCERY DEMAND	Total #	# per 10K HH	Average Distance	Total Expenditures	Total Leakage	Estimated Sq. Ft. Potential
All Grocers	23	18.8	-	\$33.9 Million	-	
Full Service Grocers Only	4	3.3	0.56mi		\$3.M	8,687

FINANCIAL SERVICES	Total #	# per 10K HH	Average Distance
Banks & Credit Unions	11	9	0.45mi
Banks Only	9	7.3	-
Pawnshops, Cashcheckers, Payday Lenders	11	9	-

% of Households lacking credit histories = 27%

RETAIL DEMAND	Estimated Revenue	Estimated Expenditures	Estimated Leakage	Estimated Sq. Ft. Potential
Retail	\$166.0 Million	\$152.9 Million	-\$13,087,121	-
Apparel	\$6.3Million	\$16.7Million	\$10,398,044	30,619
Restaurants	\$55.5Million	\$23.9Million	-\$31,594,889	-

The lack of dependable business-oriented data on inner-city communities expands the information gap on market trends, disabling potential investors from making informed decisions. Social Compact's Neighborhood Market DrillDown was established to provide up-to-date profiles of market size, strength, and stability for small, dense, and rapidly changing urban geographies. The DrillDown uses numerous sources of market data to identify the fundamental business attributes and market characteristics of urban communities and aims to expose market anomalies and opportunities that may have previously been overlooked by traditional market analyses.

## DrillDown Market Overview

### Business Mix

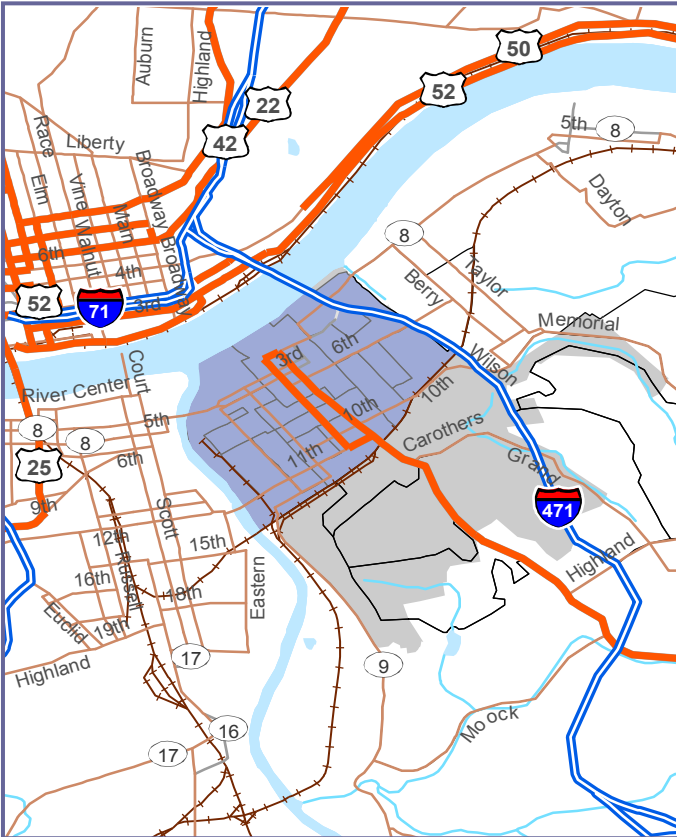
Top Industries by Total # of Businesses	Total # Businesses	Total # Employees	Total Revenue
Offices Of Lawyers/Attorneys	114	465	\$92,685,000
Limited-service Restaurants	72	1245	\$53,400,000
Non-Classified Establishments	42	110	\$0
Religious Organizations/Churches	26	54	\$0
Independent Performers	24	4	\$10,293,000
Supermarkets & Other Grocery Stores	23	217	\$42,224,000
Other Individual and Family Services	21	259	\$228,000
Elementary And Secondary Schools	20	597	\$0
Bars	18	78	\$4,650,000
Housing Construction & General Contractors	18	169	\$46,964,000

Top Industries by Total # of Employees	Total # Businesses	Total # Employees	Total Revenue
General Medical And Surgical Hospital	1	4000	\$424,000,000
Police Protection	10	1547	\$0
Limited-service Restaurants	72	1245	\$53,400,000
Elementary And Secondary Schools	20	597	\$0
Hotels And Motels	7	536	\$32,420,000
Offices Of Lawyers/Attorneys	114	465	\$92,685,000
Market Research And Analysis	1	400	\$41,200,000
Pharmacies And Drug Stores	6	369	\$11,346,000
Home Health Care Services	1	300	\$14,700,000
Other Individual and Family Services	21	259	\$228,000

Top Industries by Total Revenue	Total # Businesses	Total # Employees	Total Revenue
General Medical And Surgical Hospital	1	4000	\$424,000,000
Dairy Product Mfg	1	200	\$192,000,000
Offices Of Lawyers/Attorneys	114	465	\$92,685,000
Limited-service Restaurants	72	1245	\$53,400,000
Housing Construction & General Contractors	18	169	\$46,964,000
Cable and Other Subscription Programming	1	130	\$44,070,000
Paper and Multiwall Bag Mfg	1	200	\$43,600,000
Supermarkets & Other Grocery Stores	23	217	\$42,224,000
Market Research And Analysis	1	400	\$41,200,000
Other Electronic Parts and Equip Wholesale	2	36	\$36,360,000

# Newport Urban Core

## DrillDown Market Overview



	2007 DRILLDOWN	2006 Census Trend Proj	2000 Census	Comparison DrillDown/Trend Proj
<b>MARKET SIZE</b>				
Total Population	10,809	10,676	11,802	1.0%
Population per Acre	14.3	14.1	15.6	-
Total # Households	4,424	4,361	4,733	1.0%
<b>MARKET STRENGTH</b>				
Average Household Income	\$36,776	\$43,961	\$33,679	-16.0%
Median Household Income	\$26,038	\$32,436	\$25,037	-20.0%
Aggregate Neighborhood Income	\$163 Million	\$192 Million	\$159 Million	-15.0%
Aggregate Income per Acre	\$215,260	-	-	-
% Informal Economy	6.40%	-	-	-
Avg Income, New Home Buyers	\$61,963	84% above Census Avg Inc		
% Change in IRS Adj. Gross Inc	-3% ('98-'04)	-		
<b>MARKET STABILITY</b>				
% Owner Occupancy - Unit	38.5%	36.3%	37.1%	-
% Owner Occupancy - Bldg	52.1%	-	-	-
Median Home Sale Value	\$76,000	\$67,579	\$54,333	12.0%
New Construction Units ('02-'05)	14	3.0 Per 1K Household		
Residential Rehab Permits	26.2 Per 1K Household			

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### DrillDown Market Overview

<b>BUSINESSES</b>	<b>Total #</b>	<b>Total Revenue</b>	<b>Total # Employees</b>	<b>Employee Annual Spending Potential</b>		
All Businesses	532	\$1,064 Million	5,475	x \$2,787 / yr =	\$16.2 Million	
Small Business (Empl. 51 - 100)	15	\$48 Million	1,134			
Small Business (Empl. 20 - 50)	40	\$174 Million	1,383			
Small Business (Empl. 6 - 19)	98	\$119 Million	972			
Small Business (Empl. 1 - 5)	236	\$71 Million	577			

<b>GROCERY DEMAND</b>	<b>Total #</b>	<b># per 10K HH</b>	<b>Average Distance</b>	<b>Total Expenditures</b>	<b>Total Leakage</b>	<b>Estimated Sq. Ft. Potential</b>
All Grocers	9	20.3	-	\$12. Million	-	
Full Service Grocers Only	1	2.3	0.46mi		\$2.9M	8,347

<b>FINANCIAL SERVICES</b>	<b>Total #</b>	<b># per 10K HH</b>	<b>Average Distance</b>
Banks & Credit Unions	3	6.8	0.35mi
Banks Only	3	6.8	-
Pawnshops, Cashcheckers, Payday Lenders	3	6.8	-

% of Households lacking credit histories = 15%

<b>RETAIL DEMAND</b>	<b>Estimated Revenue</b>	<b>Estimated Expenditures</b>	<b>Estimated Leakage</b>	<b>Estimated Sq. Ft. Potential</b>
Retail	\$71.2 Million	\$53.2 Million	-\$17,933,620	-
Apparel	\$12.1Million	\$5.8Million	-\$6,255,427	-
Restaurants	\$49.Million	\$8.3Million	-\$40,683,513	-

The lack of dependable business-oriented data on inner-city communities expands the information gap on market trends, disabling potential investors from making informed decisions. Social Compact's Neighborhood Market DrillDown was established to provide up-to-date profiles of market size, strength, and stability for small, dense, and rapidly changing urban geographies. The DrillDown uses numerous sources of market data to identify the fundamental business attributes and market characteristics of urban communities and aims to expose market anomalies and opportunities that may have previously been overlooked by traditional market analyses.

## DrillDown Market Overview

### Business Mix

Top Industries by Total # of Businesses	Total # Businesses	Total # Employees	Total Revenue
Offices Of Lawyers/Attorneys	38	136	\$26,052,000
Limited-service Restaurants	31	1111	\$46,360,000
Religious Organizations/Churches	14	36	\$0
Non-Classified Establishments	13	10	\$0
Elementary And Secondary Schools	13	414	\$0
Bars	13	129	\$6,750,000
Nightclubs	9	102	\$5,700,000
Beauty Salons	9	36	\$1,404,000
Supermarkets & Other Grocery Stores	9	62	\$12,194,000
Other Individual and Family Services	7	14	\$0

Top Industries by Total # of Employees	Total # Businesses	Total # Employees	Total Revenue
Limited-service Restaurants	31	1111	\$46,360,000
Elementary And Secondary Schools	13	414	\$0
Dairy Product Mfg	1	300	\$0
Metal Wholesalers & Service Centers	1	300	\$314,100,000
Drugs and Druggists' Merchant Wholesalers	1	175	\$243,775,000
Fitness And Recreational Sports Center	1	164	\$13,776,000
Offices Of Lawyers/Attorneys	38	136	\$26,052,000
Commercial Lithographic Printing	7	131	\$20,520,000
Postal Service	2	131	\$0
Bars	13	129	\$6,750,000

Top Industries by Total Revenue	Total # Businesses	Total # Employees	Total Revenue
Metal Wholesalers & Service Centers	1	300	\$314,100,000
Drugs and Druggists' Merchant Wholesalers	1	175	\$243,775,000
Limited-service Restaurants	31	1111	\$46,360,000
Housing Construction	5	77	\$36,092,000
Home Furnishing Merchant Wholesale	1	50	\$27,850,000
Offices Of Lawyers/Attorneys	38	136	\$26,052,000
Recyclable Material Merchant Wholesalers	2	50	\$23,706,000
Commercial Lithographic Printing/Printers	7	131	\$20,520,000
Fitness And Recreational Sports Center	1	164	\$13,776,000
Supermarkets & Other Grocery Stores	9	62	\$12,194,000

## DrillDown Glossary & Sources

**HOUSING UNITS, POPULATION, HOUSEHOLDS:** The DrillDown assembles a list of residential addresses from municipal and proprietary tax assessment records, municipal building permit records, utility hookups, and credit bureau records. Households, or occupied units, are determined by multiplying the total number of residential addresses by the vacancy rate, determined through analysis of utility usage records, at the block group level. Total population is calculated by multiplying the number of households by the average household size and adding this number to the population in group quarters. Average household size and population in group quarters is provided at the block group level by the most recent census trend projections.

**INCOME:** Unadjusted household income estimates are derived in a series of calculations. First, a count is made of the number of individuals per income bracket, as determined by the three credit bureau income estimates. Then, the average income at the block group level is calculated by applying the Bureau of Labor and Statistics Consumer Expenditure Survey's estimated average income for individuals within a particular income range (projected from 2004 to 2006) to the income distribution determined. The third calculation adjusts the income estimate to account for informal economic activity. By weighting the following eight proxies, the DrillDown estimates the monetary value of unregulated economic activity: household with income below \$30,000; difference between household income and household expenditures; the percentage of households with no credit record; the percentage of utility payments made in cash; the number of nontraditional financial service providers per household and per acre; the difference between estimated housing costs and real home values; and the percent foreign born population. Median of the income distribution averaged from the three income ranges provided by the credit bureau data.

**HOMEOWNERSHIP/OWNER OCCUPANCY:** An estimate of the percentage of residential units or buildings where the unit or building owner is a resident. Matching the mailing and physical addresses provided by municipal tax assessor records indicates owner occupancy.

**MEDIAN HOME SALE VALUE:** Median home sale value is calculated using property transaction data from property sales and proprietary and municipal real estate data over an 18 month period.

**BUILDING RECORDS:** New construction and rehabilitation (additions, alterations, repairs) is assessed using available building permit records for the period of time between January 2002 and December 2005 for Covington and January 2004 to December 2005 for Newport.

**CRIME:** Crime indicators were unavailable for these two areas.

**HOUSEHOLDS WITH NO CREDIT RECORDS:** A proxy for underbanked households, a percentage of households without any associated record in any of the three credit bureaus.

**AGGREGATE EXPENDITURES:** Through an analysis of average consumer spending by income ranges based on the most recent Consumer Expenditure Survey conducted by the Bureau of Labor and Statistics, Social Compact calculates aggregate consumer expenditures (retail and otherwise). The Consumer Expenditure Survey categories are then translated into North American Industry Classification System (NAICS) codes.

**REVENUE:** An estimate of annual sales revenue derived through an analysis of business-level proprietary data, characterized for various NAICS codes.

**NEIGHBORHOOD LEAKAGE:** An estimate derived through subtracting annual sales revenue from annual aggregate expenditures; a dollar amount that represents unmet demand within a given geography, estimating the flow into and out of a particular neighborhood.

**BUSINESS:** Businesses are categorized according to employment size and age. Small businesses are categorized based on employment size of 50 or less. Worker spending based on International Council of Shopping Centers office worker spending (2004). Distances are calculated from the blockgroup centroid to the nearest establishment. Business data is derived from most recent InfoUSA data.

**FINANCIAL INSTITUTIONS:** Traditional financial institutions include banks and credit unions; Nontraditional financial institutions include check cashers, pawnshops and payday lenders; based on listings provided by the Federal Deposit Insurance Corporation (FDIC), 2007.

**GROCERY ANALYSIS:** DrillDown analysis of grocery providers is based on the following three categories: (1) national/regional chain grocers; (2) smaller grocers, including local, independent, fresh vegetable markets, ethnic markets; and (3) all grocers, including establishments identified as grocery stores and supermarkets according to NAICS; derived from business-level proprietary data.

**SOURCES:** Acxiom Corporation, 2006; Claritas, 2006; Equifax Corporation, 2006; Experian Corporation, 2006; Federal Deposit Insurance Corporation, 2007; First American Real Estate Information Services Inc, 2006; HMDA, 2005; Info USA, 2006; IRS; Social Compact Analysis, 2006; U.S. Census Bureau, Census 2000; U.S. Department of Labor, 2004; Consumer Expenditure Survey 2004; City of Covington and Newport municipal data.

**SOCIAL COMPACT** is a national not-for-profit corporation led by a board of business leaders whose mission is to help strengthen neighborhoods by stimulating private market investment in underserved communities. Social Compact accomplishes this through its Neighborhood Market DrillDown analytic tool, developed to address some of the key barriers to private investment in and around inner-city neighborhoods – a lack of dependable market information and negative stereotypes. The DrillDown serves as a resource to community organizations, government decision makers and the private sector. Social Compact is at the forefront of identifying the market potential of underserved neighborhoods and believes that a public private partnership that involves community members and leverages private investment is the most sustainable form of community economic development.