

Friday, March 13, 2009

# Is Second Street a success?

**Most say yes but area has its hurdles**

**Austin Business Journal - by [Kate Harrington](#) ABJ Staff**

On a recent Friday night, the restaurants and bars in downtown Austin's Second Street District were humming with activity as diners spilled out of doorways and took up tables on street corners. Carefree crowds of friends and couples flowed past new construction and existing stores.

But amid the well-lit restaurants where crowds swirled were also blank storefronts and advertisements for going-out-of-business sales.

While economic development experts say the retail turnover the three-year-old Second Street District has experienced during the past few months is a natural part of any shopping district's evolution, some retailers say the area has some significant hurdles to overcome before it can take off.

Store closures in the past few months include Loft, Cowboy Cool and Area, while at least one planned furniture store, Essenze, never opened. Those closings put holes in the fabric of a downtown design district that was beginning to weave together around Second Street.

Catherine Destasio, commercial marketing director for AMLI Residential, said there are many businesses that will fill those spaces, though. Those include Ligne Roset Boutique, Gallery D, Delish and Lounge22, which all plan to open in March or April.

To Heath Calhoun, owner of Cowboy Cool, a lack of available parking — or at least the perception that there is a shortage of spaces — combined with diminished foot traffic and the overall economy were factors in his decision to close the store's Second Street location.

**Calhoun said he set up shop with future developments like the W Hotel in mind, thinking the area would become a great destination. That could still happen, he said, and he thinks the area has a bright future once the economy rebounds. But making parking more visible will be key.**

Offir Schwartz, owner of contemporary furniture retailer Loft, also decided recently to close its Second Street store. Loft's store at The Domain in North Austin will remain open.

Schwartz said the Second Street store had declining sales; 2008 store sales were 23 percent higher at The Domain than at the downtown location, despite a marketing campaign and efforts to establish relationships with companies building and selling downtown condos. Poor foot traffic — Loft never got a neighbor in the vacant spot next to it during its almost three years in the district — and few visible parking options made for a difficult retail environment, Schwartz said.

Still, Schwartz and Calhoun said as Austinites become more urban shoppers — not demanding parking directly in front of a store — districts like Second Street could take off. Both store owners also pointed out

that Second Street has been much more successful in drawing shoppers than a similar mixed-use district in Dallas, Victory Park, which has comparable retailers and has struggled.

Midge McCauley, a principal with economic research firm ERA/Downtown Works, said the turnover that has occurred in the Second Street District is part of a natural retail evolution. Downtown Works has worked with the Downtown Austin Alliance on studies in the past.

Destasio at AMLI said the district's turnover rate since its inception in 2006 has averaged 4 percent, while a standard turnover rate is considered 10 percent. Year-over-year gross sales in 2008 increased 7 percent in the district, while same-store sales increased 0.1 percent in the same time. AMLI is also working with the Austin Convention and Visitors Bureau, developing customer surveys to understand what shoppers want from the mixed-use district.

**Molly Alexander, associate director of the Downtown Austin Alliance, said for a district so young — about three years old — it already has a strong identity that will continue to draw shoppers, residents and tenants.**

For Alissa Bayer, founder and owner of Milk + Honey Spa, business in the Second Street District has been strong from the beginning and continues to grow as new retailers move in. Milk + Honey recently opened its second location, a salon, in the district. While she said she's been disappointed to see turnover in the district, she's been more disappointed at public misconceptions about what that means.

"The [U.S. Small Business Administration] says that one-third of small businesses fail within two years," Bayer said. "If that is true, then Second Street District should be considered a huge success."

**Courtesy of JB Goodwin**