Economic Assessment & Restructuring Program for the Village of Mackinaw City

The Chesapeake Group, Inc.

Building A Foundation For The Future

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Introduction

The following is a detailed market assessment and strategic economic restructuring program for the Village of Mackinaw City, Michigan. This effort was prepared by The Chesapeake Group, Inc. under contract to the Village, under the direction of the Economic Development Commission.

The effort included significant primary data derived from field reconnaissance, to face-to-face interviews with major stakeholders, a public forum, surveys of current residents and visitors, and a survey of business owners and operators. In addition, computer modeling, other research forms, and analysis of secondary information were used in identifying and developing economic opportunities beyond those which are apparent in Mackinaw at present.

Estimates of demand found in this assessment are considered conservative in nature, tending to understate rather than overstate opportunities. They represent only TCG's opinion based on the presented information and experiences. It is noted that success of any geographic area, collection of activity, or individual components is dependent upon other factors as well as marketability. Some of those other factors are management practices, financial feasibility, regulations and collective cooperation.

Mackinaw City is blessed with critical natural and man-made resources that are the essence for why it exists. While not listed necessarily in order of importance, they are:

1. The water
2. Surrounding natural environment
3. History
4. The Island
5. The Bridge
6. Transportation assets

The economic assessment and restructuring strategy defines and then focuses upon opportunities in five major areas. These are:

- ✓ New activity and attractions that will further expand tourism or the current seasonal nature of tourism, including creation of a youth oriented entertainment/education attraction; promotion of winter activity and area's natural resources; and creation of condominiums, hotel condominiums, and resort complex.

- ✓ Attraction of multi-county/"regional" serving retail activity.

- ✓ Research and development and related light manufacturing, utilizing the area's natural resources, including but not limited to the creation of a potential "incubator", with a higher education component.
- ✓ Energy development, including bio-mass, wind and other environmentally sensitive alternatives.
- ✓ Home based business activity, including crafts and those employing technology.

It is noted that the pursuit of any one of the five components is independent or mutually exclusive of another.

There are a number of other significant suggestions and recommendations put forth in the strategic program. These include, but are not limited to:

- ✓ Enhancement of communications and relationships between the Village, the Chamber of Commerce and the Tourism Board for information sharing purposes and to avoid duplicative efforts.
- ✓ Creation of a recruitment process.
- ✓ Creation of an entrepreneurial program to ease turnover/transition of existing establishments, generate a wider range of food service activity, and enhance craft and other home-based business development.
- ✓ Expansion of marketing activity.

In this analysis and strategic suggestions, names of specific businesses, education institutions or others are mentioned. Their inclusion represents neither an endorsement by The Chesapeake Group nor any indication of interest on their part.

TCG believes that this economic development effort can be instrumental in undertaking economic enhancement and comprehensive planning that is sensitive to the needs of businesses and residential community interests. The suggestions are based upon sustainable economic development principals, recognizing that economic development is a dynamic process and commitment.

Context

From an economic perspective, there is one dominant industry for the Village of Mackinaw City. That industry is tourism. Most employment, tax base or other economic indicators are largely if not totally dependent upon that industry at present. Thus, as that industry "goes, so goes" the Villages economy.

Thus, trends in the industry, particularly in both Michigan and in the general vicinity, are important to recognize in assessing opportunities for Mackinaw City. The following are highlights of the visitor or tourism based industry.

- ✓ About 150 million visitor or person-days and 74 million leisure visitors spend time in Michigan each year. This represents just under 4% of all annual leisure person trips in the United States.

- ✓ About 85% of all "leisure" visitors to Michigan come by ground transportation. The largest group of leisure visitors can be characterized as families with one or more children, whose household income is above $60,000 and whose median age of the head of the household is 40 years old. About 9% of the leisure person-trips are associated with retired individuals.

- ✓ The average length of leisure stay is just less than 3 nights. The primary activities in which people participate are dining, sightseeing, shopping, beach or water related, gambling, and attendance at sporting events. (The Mackinaw area has all of these activities.) About eight of every ten Michigan person-days are for leisure activity or purposes.

- ✓ The largest proportion of leisure travelers and trips in Michigan are derived from Michigan residents. Between one-half and two-thirds of all travelers to Michigan are from Michigan, with the largest proportion being from the Detroit area. This large a proportion of trips from one state can be problematic. Should economic conditions in that state suffer, it is likely that tourism will suffer.

Distinguishing trends in Mackinaw City versus the entire State are difficult. Most studies of tourism done and available through the government divided Michigan into four quadrants and the Upper Peninsula. Mackinaw City is physically located in two of the four quadrants and is adjacent to the Upper Peninsula via the bridge. Thus, in fact only two of the five geographic areas upon which statistical analyses are built are not appropriate for review of trends. While much is difficult to discern because of the locational aberration, it is of note that:

- ✓ The number of persons per trip for leisure travelers in Michigan is greater than for the average for the United States in general. Furthermore, information indicates that larger person leisure trips are associated with much of the Mackinaw area than for Michigan in general.

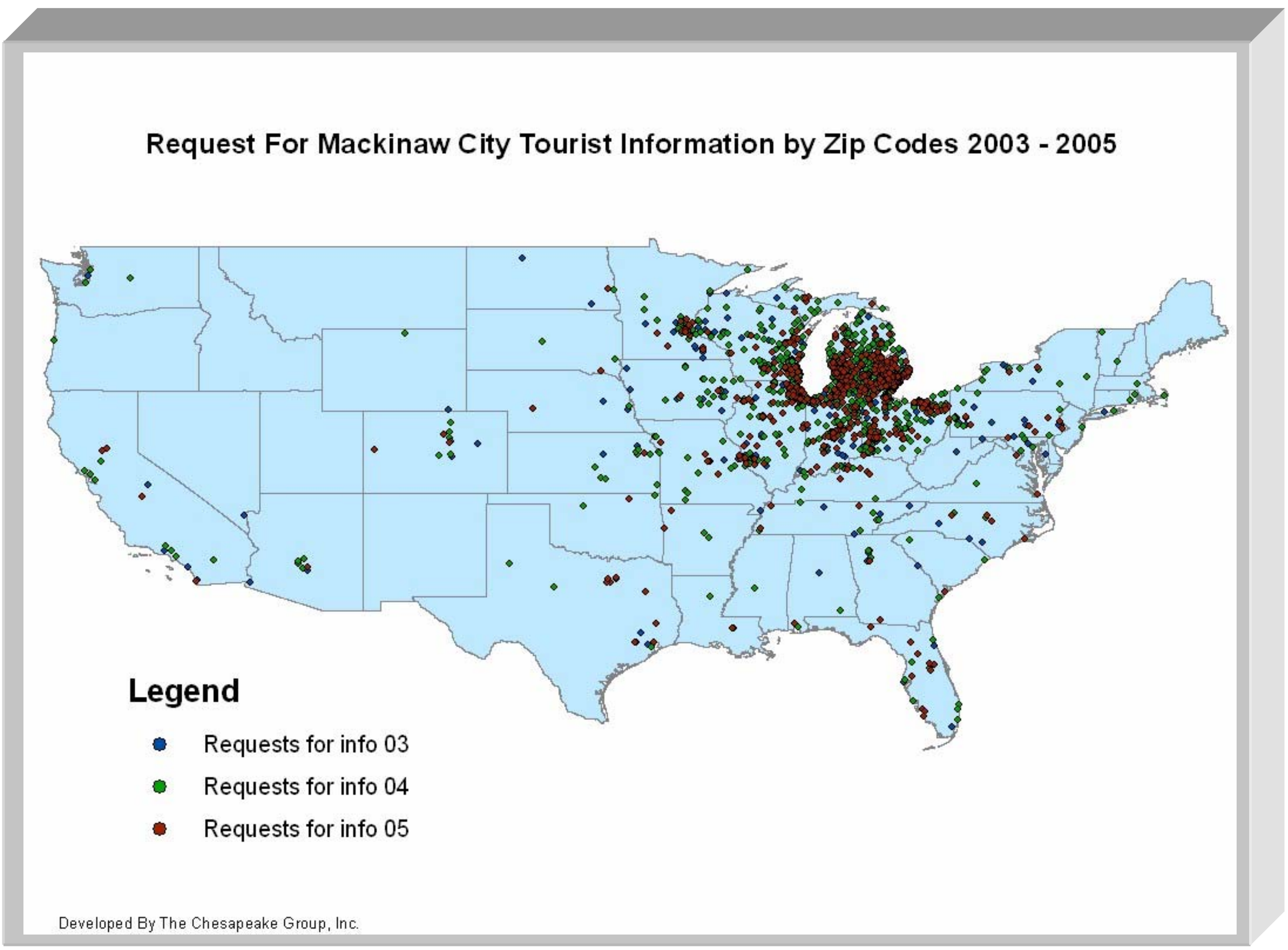
✓ The length of stay for the leisure traveler follows a similar pattern. The length of stay of the leisure traveler in Michigan is greater than for the country as a whole, and the length of stay in the Mackinaw area is longer than for Michigan in general.

✓ The proportion of leisure visitors seeking waterfront activity and sightseeing is greater in the Mackinaw area than for the United States in general.

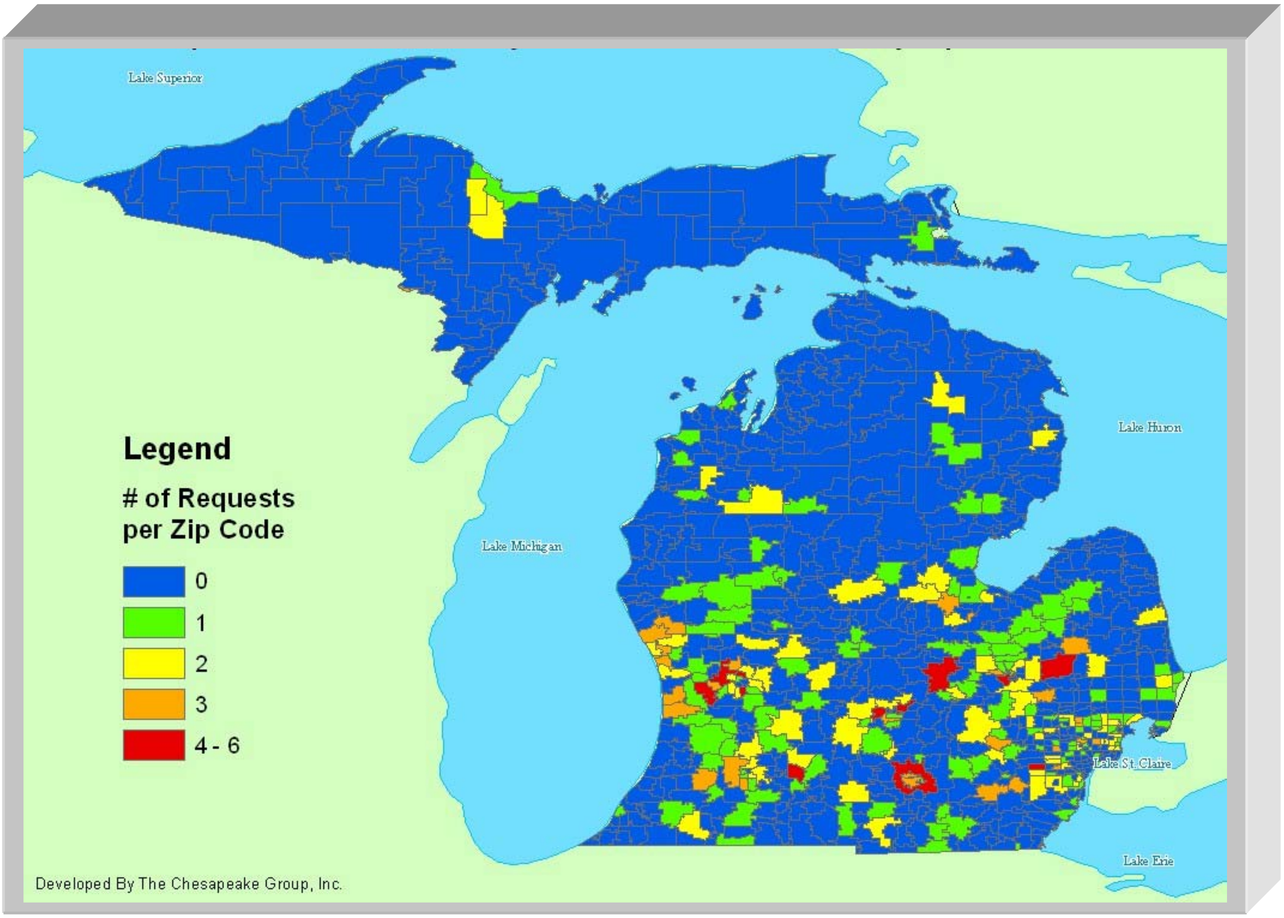
✓ The Mackinaw area is less balanced in terms of leisure visitor trips by season than the United States or Michigan in general.

As a result of the difficulties in dissecting specific data from Michigan and regional analyses, it is more appropriate to look at local data to discern trends for Mackinaw City. Information on local trends was derived from data made available through the Village, the Tourism Board, and individual businesses. That information indicates:

✓ Mackinaw City and surrounding areas serve three visitor markets. These are: Michigan, the larger Great Lakes area, and elsewhere in the country, but with a stronger link to the nearby Midwest and east coast regions. The map that follows shows the residences of purchasers of prepared "visitor packages".



As visually apparent in the above map of the nation, Michigan residents would appear to either be dominant in the Mackinaw City area market, as indicated by the regional and state data, or at least are better aware of available packages and other promotion than out of state residents. As would be anticipated by the population distribution in Michigan, most visitors and potentially market penetration would seem to be the greatest in the Detroit and Grand Rapids areas. The graphic that follows indicates the distribution of packages in Michigan for 2005.



There is little question that tourism activity has transformed Mackinaw City over the years and that it will continue to play the major role in the economic structure of the area. The growth has resulted in significant investment that continues. An examination of non-residential taxable value in Mackinaw City clearly shows the continued investment. For example and as shown in Table 1, taxable value of property in the Village of Mackinaw City, which is located in two separate counties (Cheboygan and Emmet) grew from about $46.9 million to $66.2 million between Fiscal 1998 and 2004. Most of the property and taxable value is found in Cheboygan County throughout the time period noted.

Table 1 - Taxable Value of Commercial, Industrial & Utility Property in Village (in $)*

County	1998	1999	2000	2001	2002	2003	2004
Mackinaw/Cheboygn	36,516,377	41,858,480	43,772,020	47,878,741	48,630,349	50,053,666	53,194,810
Mackinaw/Emmet	9,415, 348	9,752,305	11,148,164	10,411,640	13,674,417	12,347,909	13,029,336
Total	45,931,725	51,610,785	54,920,184	58,290,381	62,304,766	62,401,575	66,224,146

* Taxable Value includes Commercial & Industrial (real & personal property) and Utility (personal) property. Developed by The Chesapeake Group, Inc., 2005.

In total, from Fiscal 1998 to 2004, taxable values of non-residential property in Mackinaw City increased by about $20.3 million. For each year, there was an increase over the previous year, although there has been significant fluctuation. Taxable increases were lowest from Fiscal 2002 to 2003 and highest between Fiscal 1998 and 1999 and 2001 and 2002

Table 2 - $ Changes in Taxable Commercial, Industrial & Utility Property Value of Village*

County	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	1998-2004
Mackinaw/Cheboygn	5,342,103	1,913,540	4,106,721	751,608	1,423,317	3,141,144	16,678,433
Mackinaw/Emmet	336,957	1,395,859	-736,524	3,262,777	-1,326,508	681,427	3,613,988
Total	5,679,060	3,309,399	3,370,197	4,014,385	96,809	3,822,571	20,292,421

* Taxable Value includes Commercial & Industrial (real & personal property) and Utility (personal) property. Developed by The Chesapeake Group, Inc., 2005.

In total, the taxable property values increased by more than 44% from Fiscal 1998 to 2004. With the exception of 2002 to 2003, in recent years the base has increased generally about 6% per year.

Table 3 - % Changes in Taxable Commercial, Industrial & Utility Property Value of Village*

Township	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	1998-2004
Mackinaw/Cheboygan	14.62	4.57	9.38	1.56	2.92	6.27	45.67
Mackinaw/Emmet	3.57	14.31	-6.60	31.33	-9.70	5.51	38.38
Total	12.36	6.41	6.13	6.88	0.15	6.12	44.17

* Taxable Value includes Commercial & Industrial (real & personal property) and Utility (personal) property. Developed by The Chesapeake Group, Inc., 2005.

Yet, while the precise number of visitors to the area is difficult to discern, there is evidence to indicate that:

- ✓ Mackinaw City has evolved to a significant destination where large numbers of people stay overnight “in season”.
- ✓ Tourism activity is not increasing at the rate that it was during the 1990’s.
- ✓ The past few years has seen little growth, nor growth, or some decline in visitor activity.
- ✓ The area has been described as essentially “holding its own” at present.

There is both actual and anecdotal evidence to support the above noted trends. First, the bridge crossings from the mainland to the Upper Peninsula peaked in 1999 and has declined since 2002. This indicates that less vehicles and probably people are passing through Mackinaw City along Interstate -75

Table 4 – Bridge Crossings from 1994 through 2004*

Year	Crossings
1994	4,333,185
1995	4,558,652
1996	4,625,207
1997	4,626,190
1998	4,890,565
1999	4,936,417
2000	4,755,886
2001	4,676,424
2002	4,733,166
2003	4,528,548
2004	4,427,331

*Provided by the bridge authority.

Second, visitor nights recorded by hotels and motels in the Mackinaw City area most likely peaked in 2002, but have remained relatively stable since 1999 based on room use assessment fees collected.

Table 5 – Room Assessment Collections from 1994 to 2004*

Year	Collections
1994	$293,866.30
1995	$317,226.27
1996	$337,197.60
1997	$361,370.33
1998	$436,177.00
1999	$459,164.00
2000	$460,356.00
2001	$469,508.00
2002	$488,145.00
2003	$463,282.00
2004	$466,830.00

*Provided by the Mackinaw Area Visitors Bureau.

Third, the number of visitors to the state park facilities that have history based themes in the area have been stable or in some cases declined as well over the past four years.

Finally, hoteliers have indicated that many of the facilities are simply stable and not increasing as they were during the previous decade.

Importantly, there are numerous factors likely to contribute to the noted trends. However, there are a few which are likely to be dominant. Three of the more significant are likely to be:

- ✓ Difficult economic conditions that have persisted in recent years in Michigan related to declines in its major industrial and economic base activity caused by structural changes in the primary industries.

- ✓ Increasing competition for the visitor activity.

- ✓ The need to evolve further, "go to the next level", or "take the next step" in the tourism arena.

Furthermore, without immediate significant change or a transition indicated in the first and third of these three primary factors, there is likely to be a low probability of strong sustained growth in tourism over the next few years in Mackinaw City. It could well be that, for the short-term, stabilization and minor growth or declines should be viewed as a positive. Being able to "hold your own" in a difficult economic period when the dominant market force or demand generator (residents of Michigan) is having difficulty is often positive. Nonetheless, it is also indicative of need for moving forward in a host of potential definable directions.

Forum & Interviews

Community input is critical both from understanding dynamics and economic conditions as well as generating attitudes and opinions. Through the analysis process, various input methodologies were employed. These included a community forum and individual face-to-face interviews with select stakeholders. This latter group included business operators, property owners, hoteliers, residents, real estate industry representatives and government officials or elected representatives. In addition, input was also obtained through surveys of businesses, residents, and visitors.

The following are highlights from the forum and "stakeholder" interviews. It is important to note in reviewing presented issues that perceptions are reality to those that hold or believe them, whether or not those perceptions are premised upon actual facts.

- ✓ In general, there is consensus that people would like to see Mackinaw City and area be unified as a community, working "on the same page" towards common goals.

- ✓ There is consensus as well that the greatest asset of the area is its natural beauty and setting (water, sky, stars, sunsets, and islands).

- ✓ There were a series of goals for economic development that surfaced including: diversifying the economy, thereby improving the standard of living and creating year-round employment, and insuring ethics in the hospitality industry. It was felt that none of the above should be accomplished without maintaining the area's quality and beauty.

- ✓ A range of new activity or opportunity areas was suggested, including those that follow:

  Home occupations
  Higher education center
  Business recruitment
  Quality development and planned activity
  Affordable housing
  Increased development/more hotels
  Convention facilities/port facilities

- ✓ There was also concern expressed for the average age of area residents, with a significant proportion known to be seniors.

- ✓ In addition to the natural environment, other area assets were identified by participants including:

  - Interstate location.
  - Proximity to Mackinac Island.
  - Reputation as the State's #1 tourism destination.

- Abundance of hotel/motel rooms.
- The attraction of affluent tourists with disposable income.
- Central location to numerous tourist attractions such as the Island, the bridge, the Upper Peninsula, St. Ignace, the fort, light houses, and underwater vessels (for divers).
- Proximity to Pellston Airport.
- Repeat business, with people coming back year after year.

✓ The greatest factors preventing additional business activity or "drawbacks" to doing business in Mackinaw City are defined by the participants as:

- Limited winter activities.
- Tourism season limited to 90 to 120 days.
- Village beginning to "over-regulate" with zoning restrictions. (Mentioned were restrictions on temporary signs, excessive parking requirements, and selective enforcement by staff.)
- One family beginning to control the local business climate.
- Views of the water being destroyed by increasing shoreline development.
- Small town politics getting in the way of new opportunities.
- Area beginning to experience unplanned development (sprawl).
- Lack of downtown parking in season.

✓ Two families are seen as being most successful in creating new business opportunities in the last few years. These are the Lieghios and Sheplers.

✓ While limited winter activity was identified as being a significant factor in preventing additional business activity, most people were at a general loss on what winter activity should or could stimulate the economy. A few mentioned cross-country skiing, snowmobiling, sled dog racing, and ice fishing.

✓ There was also limited support for casino proposals, although majority feel that its inclusion is inevitable. Many that support the concept do not do so for philosophical reasons, but feel a casino would generate year-round opportunities and provide some spin-off to area hotels and restaurants.

✓ Few voiced a genuine need to encourage industrial development, especially manufacturing industries. In fact, most seemed to almost disparage the idea of industrial development since it was, in their minds, linked (negatively) to the automobile industry, as opposed to any other type of industry. At least several indicated that attempts to support industrial development would probably fail due to ups and downs with the auto industry. Several voiced concern over "smoke stack" industries!

✓ Much concern was expressed for the lack of communications between three area organizations most involved with the business community. The Village, the Chamber of Commerce and the Tourism Bureau were deemed to be less effective than they might be if they worked better together. There was also a sense that resources were not effectively utilized because of the lack of cooperation among the three entities.

- ✓ Many individuals feel that the Visitors' Bureau does a good job at marketing the community, but that there have been past mistakes that impact the group. Furthermore, potential conflicts with some interests in the area have weakened marketing efforts to a certain extent.

- ✓ All parties were supportive of interagency cooperation, especially in the areas of marketing and promotion. Most stated the goals of the Chamber and Visitors' Bureau were very unclear or uncertain.

- ✓ Mackinaw Crossings, a significant downtown shopping and entertainment complex, and the increased hotel development are the two most important business changes in the past five years.

- ✓ Mackinaw Crossings was largely seen as a positive for the community, with the exception of some concern for its impact on parking. Mentioned is the heavy amount of marketing dollars spent by the Crossings and the positive impact resulting in an increase in tourism Yet, there was concern expressed for the financial viability of the Crossings. Several mentioned issues associated with the Crossing's theater and inability to draw sufficient crowds to support the establishment.

- ✓ The Village is seen as being relatively supportive, but there were concerns expressed beyond the noted communications issue. These include not doing enough to plan for future development, often not "pro-active" enough with respect to seeking change, and study things "to death" without implementing much. Some additional concern was expressed for "high" property taxes. (It is noted that the Village has just recently initiated a new comprehensive planning process.)

- ✓ The DDA is not perceived as being active or doing much of anything at this time. It is not seen as a vehicle for change. They are given credit by those that are knowledgeable for doing a "good job" with the downtown "streetscape".

- ✓ Several voiced concern that many business owners and people with investment potential are moving out of Mackinaw to other nearby communities. No one was certain why. Importantly, it is felt that the Village has limited land area/limited shoreline for future expansion.

- ✓ Neither the local press nor any nearby radio or television stations are seen as being effective tools for marketing or disseminating information on Mackinaw City.

- ✓ While there was general consensus a convention facility would be a plus offering an opportunity to attract larger, possibly year round, events, no one was certain of the appropriate size nor that a convention facility would be self-supporting. In fact, most had their doubts about the latter.

- ✓ There are no known regional marketing efforts. No one is perceived as working together. The Village and Island continue to avoid working together on economic development issues and opportunities. Some feel Island people think they are "too good for us". Furthermore, the relationship between Mackinaw City and the Island has changed over time. The Village is no longer highly dependent on the Island as the Village has developed their own set of tourism opportunities.

Business Survey

Several surveys were conducted as part of this analysis to generate critical information for retention activity and to develop a new data base. One of the surveys conducted to generate necessary data was a survey of current business operations within the Village of Mackinaw City. This survey is of particular importance with respect to business retention components of a strategic economic development effort. The businesses were identified and contacted through the combined efforts of the Village's Community Development Department and The Chesapeake Group, Inc. The following is a synopsis of the survey findings.

Characteristics

A majority, 79%, of the individuals completing the survey were the owners of the establishments within the study area, while 18% work in a management position. Another 3%, classified as "other" include Co-owners, President's and other "paid staff".

The managers and other employees responding to the survey have been employed by the businesses for periods of time ranging from one year to longer than twenty years. As shown in Table 6, almost two-thirds of the employees have been with the establishments for ten years or more. On the average, the employees have worked for the area businesses for slightly longer than twelve and one-half years.

Table 6 – Managers' Tenure with Business*

Tenure	%
1 To 2 Years	12
3 To 4 Years	8
5 To 9 Years	15
10 To 19 Years	38
20 Years Or More	27
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

As shown in Table 7, 80%, of the respondent employees have held their current position for a minimum of five years. On average, the employees completing the survey have held their current position for over eleven years.

Table 7 – Employees Have Held Current Position*

Tenure in Current Position	%
1 To 2 Years	12
3 To 4 Years	8
5 To 9 Years	23
10 To 19 Years	38
20 Years Or More	19
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

While not often recognized as a major factor in the closure of businesses in established communities, it is a fact that many business establishments shut down not as a result of market or sales/revenue factors, but because they are independently owned or franchised, and the owner retires or is unable to operate the business any longer. There were no succession plans or "lineage" for the establishment. No other family member was available or chose to continue the operation. Thus, age of ownership is an important factor in assessing the potential for reinvestment in a commercial community. As shown in Table 8, 35% of the owners are sixty years of age or older. An additional 32% are between fifty and fifty-nine. The average owner is about 52.

Table 8 – Owners' Age*

Owners' Age	%
30 Thru 49	33
50 Thru 54	19
55 thru 59	13
60 Or Older	35
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

For those owners age sixty or older, most have not identified an individual to take over and continue the business upon their retirement. Only one-quarter of the owners at or nearing retirement age have identified a successor, while 33% have not. Thus, while not linked to business viability, Mackinaw City could see a significant turnover of businesses or vacancies in the next ten years for other than market viability or opportunity.

Table 9 – For Those 60 or Over, Has A Future Operator Been Identified*

Identified Future Operator	%
Yes	24
Uncertain	43
No	33
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

As shown in the following table, 74% of the businesses have been located in the area for ten years or longer. One-half have been in the community over twenty years. Several businesses indicated that they have been in the community for over 75 years.

On the other hand, 6% have been operating in the community for less than five years. It is conservatively estimated that the typical business has been in the community for about sixteen years.

Table 10 – Length of Time Located in Mackinaw City*

Length	%
1 To 2 Years	3
3 To 4 Years	3
5 To 9 Years	20
10 To 19 Years	24
20 Years Or More	50
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

There is a significant correlation between tenure in the area and the amount of time at the current location. The implication is that there has been a relatively small or infrequent movement from the time the business opened until the present day. The average tenure at their current location is almost fifteen years.

Table 11 – Length of Time Located at This Specific Location*

Length	%
Less Than 1 Year	2
1 To 2 Years	3
3 To 4 Years	3
5 To 9 Years	27
10 To 19 Years	20
20 Years Or More	45
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Those businesses that reported being situated in their present location for less than 10 years were asked to identify which factors most influenced their selection of location. The information contained in Table 12 indicates that the businesses took multiple factors into account when selecting their locations. However, the most important consideration related to the opportunity to purchase the building or land. Vehicular traffic volume or access, proximity to the waterfront and seasonal nature of the area were also very significant considerations for about one-fourth or more.

Table 12 – Primary Factors in Selecting Current Location*

Factors	%
Opportunity to Purchase Building or Land	35
Vehicular Traffic Volume or Access	30
Proximity to Waterfront & Activity	27
Seasonal Nature of the Area	24
Pedestrian Traffic Volume	19
Proximity to Other Hotels	16
Proximity to Other Businesses	14
Opportunity to Rent/Lease Property	11
Proximity to the U.P. or Island	8
Inherited or Purchased Business	8
Character of Buildings and Area	5
Zoning	3
Available Labor Pool	3
Other Reasons	13

*Developed by The Chesapeake Group, Inc., 2005.

Importantly, a majority of 62% of all businesses reported that their location had met their expectations, while 9% expressed disappointment. Those businesses that expressed disappointment cited difficulties related to the decline in tourism over the past few years.

Table 13 – Location Met Expectations*

Met Expectations	%
Yes	62
Uncertain	29
No	9
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

A majority of 72% of the businesses completing the survey owned the space that housed their establishment while 28% are renters. The businesses range in size from 450 square feet to 36,000 square feet. The average business occupies roughly 4,870 square feet.

Many of the businesses that rent have an interest in purchasing the property. As found in Table 14, one-half expressed an interest in acquiring the property while 5% lacked any such interest.

Table 14 - Interested in Purchasing Building*

Interested in Purchasing	%
Yes	50
Uncertain	25
No	25
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

About six in ten (62%) who own their property reported that there is outstanding debt on the property, while one-third reports that the property is debt free.

Table 15 - Outstanding Debt on the Building*

Outstanding Debt	%
Yes	62
Uncertain	5
No	33
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

There is also a reasonable level of interest on the part of business property owners in selling their property. As found in Table 16, 26% of the property owners, responding to the survey, indicated that they had an interest in selling their property.

Table 16 - Plan on Selling the Property*

Plan on Selling	%
Yes	26
Uncertain	28
No	46
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Most of the businesses are retail and food service establishments. A listing of the types of business respondents is provided below. The 7% reported as “Other” includes sign shops, bars, laundromats, and lighthouse restoration, preservation and education.

Table 17 – Nature of the Business*

Type Of Business	%
Retail	31
Food Service/Restaurant Establishment	23
Hotel, Motel or Other Lodging	18
Professional Services	8
Retail Related Services	5
Amusement, Family Entertainment	5
General Construction, Contractor	4
Personal Services	3
Financial Service	3
Water Transportation Service	3
Insurance	2
Boat Storage or Marina	2
Land Transportation Services	2
Other	7

*Developed by The Chesapeake Group, Inc., 2005.

The majority (60%) of businesses operate on a seasonal basis rather than throughout the year. Table 18 provides information on full-time employees that work throughout the year. The employment levels range from a single person to over 45 employees. About nine of ten (92%) establishments represent small businesses with one to ten employees. The average number of year-round employees per business is between 3 and 4.

Table 18 – Number of Year Round Full-Time Employees*

Year Round Full-Time Employees	%
1 To 2	21
3 To 5	47
6 To 10	24
11 To 20	3
21 Or More	5
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

While 57% of the businesses operating throughout the year utilize part-time employees, 43% do not. Almost all (98%) of the businesses that function on a seasonal basis utilize full-time help. Those seasonal firms with full-time help maintain an average full-time employment level of ten and one-half persons.

Table 19 – Number of Seasonal Full-Time Employees*

Seasonal Full-Time Employees	%
0	2
1 To 2	27
3 To 5	14
6 To 10	23
11 To 20	20
21 Or More	14
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Six in ten (59%) establishments operating on a seasonal basis utilize part-time help. Those firms that do have part-time staff have an average of four and one-half part-time employees each.

The vast majority of the businesses defined the majority of their employees as residing in either Mackinaw City or surrounding communities. Only 11% noted that the majority of their employees either reside outside Michigan or are from other countries, with the vast majority of these defining the majority of employees as coming from other countries.

Table 20 – Number of Seasonal Part-Time Employees*

Seasonal Part-Time Employees	%
0	41
1 To 2	29
3 To 5	17
6 To 10	7
11 To 20	6
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Attitudes, Opinions & Trends

As shown in Table 21, a significant number (36%), but minority of the businesses report experiencing difficulties in attracting qualified employees. In general these firms described the problem as being a shortage of potential employees due to an limited local labor pool, poor written and verbal skills, and questionable work ethics and employee motivation.

Table 21 – Problems Attracting Labor or Employees *

Problems	%
Yes	36
No	64
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Although not the majority, the largest proportion of businesses (44%) have declining sales or revenues over the past few years. Only 17% reported increases in sales, while slightly more than one-third (36%) indicated that their sales have remained relatively stable over the last several years.

Table 22 – Sales or Revenue Trends Over the Past Two or Three Years *

Sales / Revenues	%
Up	17
Down	44
About The Same	36
Uncertain	3
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Those businesses reporting a decline in sales or lack of growth attributed the situation to:

- Poor economic conditions, particularly the Michigan economy.
- Fuel cost.
- A decline in both the actual number of tourists and the level of tourists' spending.
- Poor weather conditions.
- Lackluster marketing efforts.
- Increased competition.
- An early return to school.

It is noted that a reasonable number of respondents also cited poor customer service and treatment of tourists along with expensive lodging.

Table 23 – Location of Major Competition*

Location	%
Local, the Mackinaw City Area	77
Other Businesses in Nearby Communities	20
Businesses in the U.P. or the Island	3
Other Areas of Michigan	3

*Developed by The Chesapeake Group, Inc., 2005.

A majority of 77% of the respondents identified other local Mackinaw City area businesses as being their primary competition. Two in ten (20%) identified competitors in other nearby communities.

Changes that the businesses would like to see implemented within the Village that would benefit their establishment were also identified. The responses, in order of frequency, include:

- Expanded promotional & marketing efforts for the Mackinaw area & Northern Michigan.
- Improved local employment, including year round jobs.
- Better cooperation and coordination among the various interests within the Village.
- An improved customer/tourist friendly attitude.
- More competitive lodging costs; affordable room prices.
- A new convention center.
- Year-round attractions and resorts.
- More diversified commerce; fewer redundant and competitive businesses.
- Less restrictive Village ordinances. Allowances for greater commercial signage.
- Improved landscaping, greater control over transient vendors, and better housing.

The types of new business activity that members of the business community favored, in order of their frequency noted, are:

- Job generating establishments operating throughout the year.
- Professional services, particularly medical.
- Family friendly, oriented establishments.
- Amusement parks.
- Additional entertainment venues.
- A pharmacy.
- A lighthouse museum, convention center, and casino.

New businesses or services that they favored as a means to help their ventures are also identified. The most popular suggestion related to additional waterfront improvements and facilities including dining, a walkway, and marina. Other suggestions included:

- Year-round employment.
- Tourist oriented businesses.
- More off-season activities and attractions.
- Business services such as printing, mailing, and office supplies.
- Increased advertising and marketing.
- High speed internet.

Businesses were asked to select from a variety of issues those challenges that most impacted their ability to "grow" their business within the area. The most frequently identified challenge related to employees followed by poor cooperation within the business community. Additional cited challenges included the shortage of pedestrian and tourist amenities, such as the need for additional public restroom facilities; road repair; improved internet service; and the shortage of year-round residents.

Table 24 – Challenges of Growing Their Business*

Challenges	%
Finding Qualified Employees	49
Lack of Cooperation Among Local Businesses	37
Laws, Regulations, and Ordinances	33
Marketing or Promotion Efforts	26
Cost of Marketing	21
Business Sector's Attitude Toward Collective Advertising	19
Lack of Complementary Activity	14
Level of Competition	14
Telecommunications Infrastructure	9
Lack of Communications	7
Transportation or Accessibility	5
Other Infrastructure	4
Others	17

*Developed by The Chesapeake Group, Inc., 2005.

Whether a result of healthy sales or other reasons, there are businesses that identified a "need" or desire to expand their physical facilities in the near future. The survey revealed that 22% "need" to expand their physical facilities.

Importantly and as shown in Table 25, 33% of those establishments that require or desire physical change feel that their current location will not be able to accommodate such a change.

Table 25 – Able to Make Change At Current Location,*

Able To Make Change	%
Yes	53
No	33
Uncertain	14
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Only two of ten businesses (19%) indicated that they were receptive to public sector involvement in the form of technical or financial assistance. A greater percentage of 61% reported a lack of interest in public sector financial or technical assistance.

Implications

There are several important business "retention" related opportunities that are identifiable through the business survey. These are:

- ✓ With the potential large number of retirees, many of whom have not identified or will not be able to identify someone to operate the business upon retirement, there is an opportunity to establish an entrepreneurial/apprenticeship program.
- ✓ The opportunity to match and facilitate willing property/building owners with businesses located in the properties/buildings that are willing to purchase the properties/buildings.
- ✓ The opportunity to facilitate expansion of existing businesses, stimulating investment.

As a result of attitudes of most business owners, the latter two are most likely handled by and through the Chamber of Commerce, with the first element handled by and through a cooperative effort of the Village and Chamber or by the Village.

Visitor Survey

A survey of visitors to the area who partook of a "Vacation Package" sponsored by the Mackinaw Area Visitors' Bureau was undertaken during this effort cooperatively between The Chesapeake Group and the Visitors' Bureau. All tabulations of the data were performed by The Chesapeake Group.

It is noted that as of the time of this report preparation a total of 325 responses to the survey had been received. Furthermore, since the survey was conducted only among those who received "Vacation Packages", the sample may contain biases. However, there is no reason to believe that those associated with marketing and aspirations for the area do not reflect the views of all or many of the visitors to Mackinaw City. The following is a synopsis of the findings that are salient to both marketing efforts and visitors' aspirations.

Use of Vacation Package

Most of the individuals that utilized the "Vacation Package" found out about the package through the internet. About six in ten did so in this manner. Other forms of marketing that are effective in promoting the "Vacation Package" include the Mackinaw Area Vacation Guide, the newspapers AAA and "word of mouth".

Table 26 - How Respondent Learned of "Vacation Package"*

Method	%
Internet	60
Mackinaw Area Vacation Guide	23
Newspaper	13
AAA	10
A friend	9
Magazine	3
Radio, Billboard, Others	Stat. Insignificant

*Prepared by The Chesapeake Group, Inc., based on information furnished by the Tourism Bureau.

The reasons for utilizing the "Vacation Package" or booking through the package include convenience and value. About three-fourths (74%) of those that used the package did so because of convenience. About one-half (46%) of those that utilize the "Vacation Package" did so because of the "value added" in the package or increasing the affordability of the trip. It is important to note that almost one-quarter (22%) of the users are those not that familiar with the area and used the package as a way of directing them to stay and in where to go once in the area.

Table 27 - Reason for Booking/Utilizing the "Vacation Package"*

Reason	%
Convenient & Easy, One Call Did It	74
Value	45
Unfamiliar with the Mackinaw Area	22

*Prepared by The Chesapeake Group, Inc., based on information furnished by the Tourism Bureau.

Importantly, the availability of the "Vacation Package" had a influence on the decision to come to, stay in, etc. Mackinaw City. In fact, the vast majority, or more than eight of ten defined the availability of the "Vacation Package" as influencing their stay as found in Table 28.

Table 28 – Whether Availability of Package Influenced Stay in Mackinaw City*

Whether Influenced Decision	%
Yes	84
No	16
Total	100

*Prepared by The Chesapeake Group, Inc., based on information furnished by the Tourism Bureau.

Visitor Issues, Aspirations & Desired Changes

Critical to enhancement of tourism component of a strategy for economic enhancement are the issues and aspirations of the visitors as a "market group", in fact the largest market group for current activity in Mackinaw City.

There are numerous suggested changes to improve Mackinaw City or a visit to the area. In general, they fall into four basic categories. These are food, additional activities, better or enhanced lodging or accommodations, expanded "Vacation Package". It is noted that most of the lodging or accommodations issues and changes reflect a desire for better quality and care of and for rooms, not related to treatment by staff, management, etc.

Table 29 – Improvements & Changes to Make a Visit to Mackinaw City Better*

Changes, Improvements
Availability later in year
More time (longer vacation)**
Better laser show
Expanded & better shopping
Increased nightlife activity
Bicycle rentals
A Thai restaurant
More "well known" eating establishments
Greater variety of restaurants
More information on "packages"
"Truthfulness"
Evening dinner cruises
More breakfast choices
Re-enactors
Mini "putt-putt" for kids
Better motel/hotel accommodations**
Cheaper room rates
Dining and fudge coupons
More activities in "Vacation Package"
Better room rates through "Vacation Package"
Amusement park for kids
Train trip to Canada
Cheaper restaurants

*Prepared by The Chesapeake Group, Inc., based on information furnished by the Tourism Bureau.
**Not able to control locally.

Table 30 contains additional activities or other changes desired by the visitors. It is noted that in some cases, these activities exist at present. In those cases, the fact that they were mentioned by at least several individuals could represent a need to better publicize the activity. It is also noted that most responses do not reflect on a "negative" condition at Mackinaw City. The only exception is a small minority of individuals that defined "bait and switch" activity. Many can be interpreted as seeking more or greater range of water sports or cultural activity.

Table 30 – Additional Activities or Changes Desired*

Additional Activities
Hiking and biking trails
More plays/theatre and shows
More shopping
Increased diversity of restaurants/better selection
Hot air balloons
More art galleries
No more "bait and switch"
More adult activities (dance club)
Sandy beach
Casino
Small sail boat rentals
More parking
More deals
Craft & art shows
Discounts on places to eat
Package deal that included the Island
Kayaking, jet ski rentals
Spa services
Stay open later at night

*Prepared by The Chesapeake Group, Inc., based on information furnished by the Tourism Bureau.

The survey was also used to define elements of Mackinaw that are most important to the visitor and should thus be given consideration in economic development and other physical planning changes. Table 31 contains the list of elements for Mackinaw that are most important or stand out in the visitor minds.

It is noted that the beauty of the area's natural resources far surpassed any other response in terms of the numbers noting it. A distant second, although well ahead of any other element, was Mackinac Island. These two elements are note by "**" in Table 31. It is noted that the indoor hotel related waterpark, one of the newest attractions, was recognized by some of the visitors to the area in spite of its relatively late opening.

Table 31 – Element of Mackinaw That Stands Out*

Elements That Stand Out
Beauty of area**
Cleanliness
Shopping
The Island**
The bridge
Views
Fudge
Friendly people
Serenity, relaxing, stress free
Ability to walk everywhere
Coupons
Live shows
Laser show, fireworks
Variety of things to do
Good food
Ferry trips
Indoor hotel related waterpark
Family memories

*Prepared by The Chesapeake Group, Inc., based on information furnished by the Tourism Bureau.

As might be expected, the vast majority of respondents intend to return to Mackinaw City in the future. As found in Table 32, 97% intend to do so.

Table 32 – Whether Plan On Returning to Mackinaw City*

Whether Plan on Returning to Mackinaw City	%
Yes	97
No	3
Total	100

*Prepared by The Chesapeake Group, Inc., based on information furnished by the Tourism Bureau>

Economic Development Implications

In general, it is apparent that visitors would like to see a greater range and diversity of food services than currently offered, enhancements to accommodations, coupled with additional activity. Some of the latter may simply mean enhanced marketing and utilization of the area's natural resources. Those natural resources are the backbone of the visitation. New activity, as it is pursued and developed in the future should be sensitive to minimizing degradation or preserving those resources.

Telephone Survey

The "market" is the driving force behind economic viability, whether commercial or service opportunity. Commercial opportunity is dependent upon the ability of the consumer to make purchases that result in the generation of revenues and sales.

In an effort to understand the market opportunities and in addition to the reported business and visitor surveys, a telephone survey of households within eight area zip codes 49701, 49718, 49721, 49740, 49756, 49769, 49770, and 49781 was conducted as part of this analysis. The following is a synopsis of this residential market component survey findings.

Market Penetration

One of the primary factors in defining long-term economic viability of a commercial area or composite of commercial activity is market penetration. Market penetration is defined by the share of households that conduct business in an area with regular frequency. The telephone survey generated information on how often households generally went out to shop for food or any other retail commodity and how often they visited Mackinaw City. As detailed in Table 33, 87% of the households indicated that they go shopping at a frequency of at least once each week.

Table 33 – The Frequency of Shopping Trips*

Frequency of Trips	%
More Than Once / Week	53
About Once / Week	34
Few Times / Month	8
Twice / Month	3
Once / Month	1
Less Often	1
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

About six out of ten (62%) households reported that they or a member of their household visits Mackinaw City in order to shop, eat or drink, obtain professional or personal services or conduct other business, at least occasionally.

Table 34 - Whether Respondents Make Purchases, Obtain Service or Conduct Business in Mackinaw City*

Frequent the Mackinaw City	%
Yes	62
No	37
Uncertain	1
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Over one-half (56%) of the households that do utilize the Village's establishments visit the area with a frequency of about once each week. About seven in ten (70%) households that frequent the area do so at least a few times each month. Thus, the effective market penetration rate for the surveyed area in total is about 43%.

Table 35 – Frequency of Trips to the Mackinaw City*

Frequency of Trips	%
More Than Once / Week	56
About Once / Week	8
Few Times / Month	6
Twice / Month	2
Once / Month	6
Less Often	22
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Synergism

Synergism or the sharing of a patron base is also important for commercial viability. Fortunately, those households that do visit and utilize Mackinaw City establishments do so for a variety of reasons as shown in Table 36. Over one-half (58%) shop when visiting the area. About the same proportion (54%) dine. Other primary activities when coming include to see a show or a movie, catch a ferry or go to the Upper Peninsula.

Table 36 – Purpose of the Trip*

Purpose	%
Shop	58
Eat /Drink	54
See a Show or Movie	30
Catch a Ferry	25
Go to the U.P.	23
Obtain Professional Service	21
Visit Family or Friends	19
Obtain Personal Service	19
Work	19
See the Light Show at Night	18
Obtain Government Services	17
Visit the Water Park	15

*Developed by The Chesapeake Group, Inc., 2005.

Attitudes & Opinions

Those households that did visit and were familiar with the area were asked what they liked most about the community. Their answers in order of frequency included the following:

- They appreciated the small town atmosphere.
- The scenery.
- The retail shops.
- Friendly people.
- The Lakes.
- The array of restaurants.
- The variety of activities.
- The cleanliness and maintenance.
- Peaceful during the off-season.
- The climate.

The types of changes or improvements that would encourage them to visit the area more often were also identified. In order of frequency, these include:

- Better restaurants, with more outdoor dining, less expensive fare, and more family oriented restaurants.
- A better, larger grocery store.

- Fewer gift shops. More year-round retailers.
- A new pharmacy.
- Slower, more controlled growth.
- Additional auto parts and service facilities.
- Professional services, particularly medical.
- Improved parking.

Those households that had indicated that they did not frequent Mackinaw City were asked to identify that which discouraged them from using the area. The largest number stated that it was "too far" from their homes. Other respondents feel that it is too congested during the summer months. Still others felt that:

- It was too tourist oriented.
- Prices were too high.
- The bridge fare discouraged visits.

When asked what types of new businesses would attract them to the area, these same households suggested a larger and more modern full-service grocery store, department and apparel stores, and a casino.

Select Demographics

In addition to the commercial utilization patterns that impact market potential, data was also obtained on demographic and lifestyle characteristics that impact demand and spending patterns.

Almost one-quarter (21%) of the households consist of a single person. One-half (51%) contain two people and 21% four or more members. The average household consists of 2.41 members.

The presence of pre-school age children within households has a significant impact on many aspects of households, including shopping patterns, incomes and ability to purchase goods and services. Only one in ten (10%) contains a child six years old or younger.

Table 37 - Number of Household Members*

Number	%
1	21
2	51
3	7
4	13
5	3
6 Or More	5
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Table 38 - Number of Household Members Pre-School Age*

Number Younger Than Six	%
0	90
1	5
2	5
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

The presence of seniors within the household, like youngsters, impacts the family units' employment patterns and spending levels. In more than four in ten of the households (45%) the most senior member was 60 years old or older. In some cases, these individuals lived with younger household members. The average age of the most senior household member within the surveyed households is estimated to be 57 years. (It is noted that all sampling techniques have inherent biases. Telephone surveying generally attracts a disproportionate share of seniors while younger households with young children have a tendency to be under-represented.)

Table 39 – Age of Household Most Senior Member*

Age	%
Under 21	4
21 To 29	7
30 To 39	11
40 To 49	13
50 To 59	20
60 To 69	24
70 Or Older	21
Total	100

*Developed By The Chesapeake Group, Inc., 2005.

Employment trends and patterns are also significant factors in demand. They impact not just the ability to purchase goods and services through income generation but also such factors as times, frequencies and locations of purchases. About four in ten (42%) indicated that no one within the household was employed on a full-time basis year-round, reflective of the number of seniors and the seasonal nature of some operations in the general area. Equal percentages (26%) contained one or two members with a full-time job.

Table 40 - Number of Household Members Employed Full-Time*

Number Full-Time	%
0	42
1	26
2	26
3	5
4 Or More	1
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Two in ten households (19%) have someone working on a part-time basis. Three-fourths of these have one person employed part time.

Table 41 – Household Member Actively Looking For a Job or a Better Job*

Whether Searching	%
Yes	12
No	88
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Twelve percent (12%) of the surveyed households reported that at least one member was interested in and was actively looking for either a new or better job.

Household incomes represent a dominant factor impacting the ability of a group to purchase goods and services as previously noted. The diversity of incomes within the households is found in Table 42. On average, the surveyed households reported annual incomes of approximately $54,000.

Table 42 – Total Household Income*

Income Category	%
Less Than $19,999	4
$20,000 To $29,999	14
$30,000 To $39,999	21
$40,000 To $49,999	14
$50,000 To $59,999	11
$60,000 To $79,999	18
$80,000 To $99,999	4
$100,000 or More	14
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Spending

There are essentially three commodities upon which households spend much of their incomes and assets over time, irrespective of the level of income or assets. These are food, transportation, and housing. The type and variety of each commodity often changes with income and other fiscal resources.

Respondents were asked both general "indirect" questions about spending, such as how often they shopped for various merchandise, and specific "direct" spending questions, such as the amount generally spent at supermarkets. The former information is used in modeling by combining with industry averages and other salient data.

Food purchased for home consumption is generally purchased at supermarkets or other facilities that have a supermarket component, such as Wal*Mart. The surveyed households report a range of weekly grocery expenditures. About one-quarter (28%) spends less than $50 in a normal week on groceries. On the other hand, 21% spend more than $100 per week on groceries and related merchandise. It is estimated that the typical household spends just over $72 each week on groceries.

Table 43 – Average Amount Spent on Groceries & Related Merchandise Per Week*

Amount Spent	%
Less Than $30	12
$30 To $49.99	16
$50 To $74.99	29
$75 To $99.99	22
$100 to $124.99	16
$125 To $149.99	1
$150 Or More	4
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Other food spending is also associated with lunch and dinner trips as well as entertainment activity. These essentially reflect spending on meals purchased and consumed outside of the home. As revealed in Table 44, 50% of the respondents eat lunch out at the rate of at least once each week.

Table 44 – Frequency Lunch Is Consumed Outside the Home*

Frequency	%
Few Times / Week	27
Once / Week	23
Twice / Month	14
Once / Month	12
4 To 9 Times / Year	2
Few Times / Year	3
Less Often	10
Never	9
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

The relationship between lunch trips and employment is important particularly if the employment is not in close proximity to the home. Consistent with the number of people not working on a full-time basis only 8% of the lunch trips are work related.

There are relationships between meal costs and spending and the level of service provided at food service establishments. Full-service restaurants were the preferred choice for lunch for 71% of the households. Only two in ten (21%) indicate that they prefer fast food establishments. Those establishments identified as "Other" include cafes, senior centers, pizza places, and outdoor dining.

Table 45 - Type of Establishment Most Often Associated With Lunch*

Type Of Establishment	%
Full-Service Restaurant	71
Fast Food Operation	21
All You Can Eat Buffet or Cafeteria	4
Other	6

*Developed by The Chesapeake Group, Inc., 2005.

Darrow's Family Restaurant, Bob's Big Boy, Burger King, and Audie's Restaurant in Mackinaw City were the most popular choices for lunch. Other preferred establishments included; Subway, Applebee's Neighborhood Grill, Goldie's on the Lake, the Boathouse, Scalawag's Whitefish and Chips, and Cunningham's Family Restaurant.

The households tend to have dinner outside the home about as frequently as they go out to lunch. About one-half (52%) of the households report that they ate dinner outside of their homes about once each week.

Table 46 – Frequency Dinner Is Consumed Outside the Home*

Frequency	%
Few Times / Week	29
Once / Week	23
Twice / Month	16
Once / Month	10
4 To 9 Times / Year	1
Few Times / Year	3
Less Often	11
Never	7
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Full-service restaurants are easily the most popular choice for the evening meal outside of the home. The identified restaurants frequented, in order of popularity, include: Audie's Family Restaurant and Chippewa Room, Darrow's Family Restaurant, Applebee's Neighborhood Grill, Goldie's on the Lake, Scalawags Whitefish and Chips, Embers Restaurant, Pancake Chef, the Boathouse, the Driftwood Restaurant in St. Ignace, and the Admiral's Table.

Table 47 - Type of Establishment Most Often Associated With Dinner*

Type of Establishment	%
Full-Service Restaurant	91
Fast Food Operation	6
All You Can Eat Buffet or Cafeteria	1
Other	3

*Developed by The Chesapeake Group, Inc., 2005.

Certain entertainment activity generally involves food and beverage consumption. Thus, information on the frequency households partake of select entertainment activities was also obtained. As shown in Table 48, 25% of the households contain a member who goes to the movies as often as once a month, while 38% report that they never go out to the movies.

Sporting activity, both as an observer and participant, is an important component of household entertainment, leisure, and recreation often blended with retail and other commercial activity. The following table provides information on activities in which at least one household member participates.

Table 48 – Frequency Household Members Go Out to the Movies*

Frequency	%
Few Times / week	1
Once / Week	4
Twice / Month	8
Once / Month	12
4 To 9 Times / Year	6
Few Times / Year	10
Once / Year	4
Less Often	17
Never	38
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Table 49 – Sports In Which Household Member Participates*

Sport	%
Swimming	45
Golf	40
Fishing	37
Sailing / Boating	29
Bicycling	24
Hunting	19
Baseball / Softball	14
Skiing	14
Basketball	13
Cross Country Skiing	11
Tennis	8
Bowling	7
Soccer	7
Skating	6
Billiards / Pool	1

*Developed by The Chesapeake Group, Inc., 2005.

Table 50 – Events Which Household Member Attends*

Event	%
Craft Shows	51
Art Shows	42
Concerts	40
Sporting Events	30
Collectable Shows	16
Auto, Historic Auto Shows	16
Sporting, Hunting, Fishing Shows	6
Boat Shows	6
Other	9

*Developed by The Chesapeake Group, Inc., 2005.

As shown in Table 50, craft and art shows along with concerts were the most popular events for the households. The “other” category includes computer, home, antique, quilt, and RV shows, along with live theater and fairs.

Transportation is the second major household expenditure reviewed. All but 1% of the surveyed households reported that they own or lease at least one private vehicle. Seven in ten (70%) reported that they own two or more vehicles. On average, each household within the area owns or leases 2.04 vehicles.

Table 51 – Number of Personal Vehicles Owned or Leased*

Number Owned/Leased	%
0	1
1	29
2	46
3	13
4 Or More	11
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

The age of vehicles typically impacts the size or existence of loan payments and the amount spent on maintenance. In general, vehicles older than five years have lesser loan payments than newer vehicles, but greater maintenance costs. As shown in the table to the right, 70% of the vehicles within the households are at least five years old.

Table 52 – Number of Personal Vehicles Five Years of Age or Older*

Number Five Years Or +	%
0	30
1	44
2	18
3	6
4 Or More	2
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Housing was the third major household expenditure examined through the telephone survey. About three-quarters of the households reported that they are full-time or year-round residents of the area.

Table 53 – Amount of Time Part-Time Residents Live in the Area*

Time Spent in Area	%
Less Than Two Weeks	3
One to a Few Months/Year	18
Most of the Summer	23
About Six Months	35
All Year Except Winter	12
Almost All Year	9
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Over one-half, 56%, of the households that reside within the area on a part-time basis spend at least six months in the region.

Spending on housing over time is dependent upon a number of factors. One of those factors is the ownership pattern. In general, mortgages have a tendency to increase at a slower pace, if at all, than do payments for rent. A sizable majority, 90%, of the households reported that they owned rather than rent their residences located within the area.

For 85% of the households their northern Michigan residence, whether in the form of rental or ownership, represents their primary home.

Table 54 –Primary or Secondary Home*

Home	%
Primary	85
Second Home	15
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

The majority, 67%, of the households have lived in their homes for ten years or longer. About one-half (47%) have resided at their current address for twenty years or longer. On the other hand, about two in ten have lived there less than 5 years. It is estimated that, on the average, the households have resided at their current address for almost 14 years.

Table 55 – Number of Years Living at the Address*

Number of Years	%
Two Or Less	12
3 Or 4	6
5 To 9	15
10 To 19	20
20 Or More	47
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

Four out of ten (41%) households report that they no longer have a monthly mortgage or rent payment. This finding is consistent with the degree of home ownership, the noted age of some of the households, and the extended tenure detailed above. The average reported monthly housing cost for those households with a rent or mortgage payment is estimated to be approximately $726.

Table 56 – Amount Spent on Rent or Mortgage Per Month*

Rent / Mortgage	%
None	41
Less Than $500	16
$500 To $749	18
$750 To $874	12
$875 to $999	6
$1,000 To $1,249	4
$1,250 Or More	3
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

The telephone survey also generated Information on the frequency of the purchase of common household items for computer modeling purposes. As detailed in Table 57, 26% of the households reported that they shopped at a pharmacy or drugstore at least once each week and about one-half (46%) do so at least a couple of times per month.

Table 57 – The Frequency of Shopping at Pharmacies or Drugstores*

Frequency	%
More Than Once / Week	3
About Once / Week	23
Few Times / Month	15
Twice / Month	5
Once / Month	24
Less Often	30
Total	100

*Developed by The Chesapeake Group, Inc., 2005.

The following table provides additional information of common household purchases. It is noted that 41% of the surveyed households purchased health and beauty aids at a frequency of a few times each month, while 52% never purchase children's clothing.

Table 58 - Frequency of Purchases of Selected Household Items (In %)*

Product	Once/ Week	Few/ Mon	Once/ Mon	Few/ Year	Less Oft	Never	Total
Health Care/Beauty Aids	24	17	26	20	10	3	100
Cards/Magazines	7	18	24	22	15	14	100
Women's Clothes	-	13	19	32	27	9	100
Children's Clothes	2	3	8	13	22	52	100
Auto Supplies	2	4	13	18	38	25	100

*Developed by The Chesapeake Group, Inc., 2005.

Implications

While much of this information is employed in the forecasting of demand for goods and services, there are some implications that are worth noting with respect to the development of the strategy. These are:

- ✓ The large proportion of seniors throughout the area indicates a unique market condition.

- ✓ Incomes are relatively high in the general area when compared to certain other parts of Michigan and the country.

- ✓ Disposable income, based on current housing costs, is likely to be relatively higher than in other parts of Michigan as well.

- ✓ There is a significant proportion of the population that does not live in the area year-round. This impacts retail goods and services sales during months when that proportion lives elsewhere. Thus, by definition, there is significant "leakage" of dollars from the residential market to other areas as a result of this pattern alone.

Demand Estimates

In an effort to further define opportunities based on the residential base, demand forecasting for retail and related services were performed. Demand for retail goods and services for any area is based on the market's ability to purchase goods and services. As previously defined, the primary source, but not the only source of information used to define spending patterns for retail and related services demand was the telephone survey. The following represents a review of demand for retail and related services activity.

It is noted that the Village of Mackinaw City is situated in two counties. These are Cheboygan and Emmet Counties.

There are essentially four general residential market areas from which Mackinaw City draws. These non-visitor based residential markets are:

- ✓ The primary market composed of residents living in Mackinaw City.
- ✓ A secondary market composed of residents living in the remainder of Cheboygan County.
- ✓ A secondary market consisting of residents living in the remainder of Emmet County.
- ✓ A secondary market consisting of residents living in Mackinac County, just north of the bridge.

It is noted that employees of offices and other businesses are subsets of these three markets, generally with higher market penetration capabilities. It is also noted that all estimates of future activity exclude inflation.

Market Areas & Retail Sales

Retail goods and related services sales generated by primary market area residents are estimated at about $8.7 billion in 2005. The primary market is relatively small, based on the number of households in the area that is just in excess of 400.

Aggregate retail sales figures represent a compilation of sales associated with ten major categories. The ten major categories of retail goods and related services are:

- ✓ Food, such as groceries and related merchandise generally purchased for home preparation or consumption.
- ✓ Eating and drinking, consisting of prepared food and beverages generally consumed on the premises or carried to another location.
- ✓ General merchandise, including variety stores, department stores and large value oriented retail operators.
- ✓ Furniture and accessories, including appliances and home furnishings.

- ✓ Transportation and utilities, including the sale of new and used automotive and other personal vehicles and parts and basic utilities for the home.
- ✓ Drugstores, including those specializing in health and beauty aids or pharmaceuticals.
- ✓ Apparel and accessories.
- ✓ Hardware and building materials, including traditional hardware stores and garden and home improvement centers.
- ✓ Auto services, including gasoline and vehicle repair.
- ✓ Miscellaneous, which includes a plethora of retail goods and services ranging from florists to paper goods.

Some operations fall into more than one category. For example, many of the general merchandisers associated with the "big box stores", such as Wal*Mart, have added more or less traditional supermarket components to their operations.

Table 59 contains the estimated retail and related services sales generated by the primary market for the major categories for 2005.

Table 59 – Estimated Retail & Related Services Sales for the Village of Mackinaw City by Category*

Category	2005
Food	$1,198,000
Eat/Drink	823,000
General Merchandise	1,171,000
Furniture	391,000
Transportation & Utilities	1,590,000
Drugstore	649,000
Apparel	214,000
Hardware	1,253,000
Vehicle Service	713,000
Miscellaneous	685,000
TOTAL	$8,686,000

*Developed by The Chesapeake Group, Inc., 2005.

There are sub-categories, generally associated with particular types of businesses, found within each retail category. While not necessarily the largest in terms of sales, the miscellaneous category contains more sub-categories or types of establishments than any other major retail category. It is noted that irrespective of the strength, location factors, mass, or other issues, no community is able to attract all of the sales generated in a primary market area. As examples, people employed elsewhere often spend resources at or near their employment. At other times people make visits and spend money with relatives and friends living elsewhere or while on vacations.

The estimated retail and related services sales for 2005 by sub-category or types of businesses generated by residents of the primary market is found on Table 60.

Table 60 – Estimated Retail & Related Services Sales for the Village of Mackinaw City by Sub-category for 2005*

Sub-category	2005 Sales
Food	$1,198,000
Supermarkets	1,000,330
Independents	95,840
Bakeries	26,356
Dairies	15,574
Others	59,900
Eat/Drink	823,000
General Merchandise	1,171,000
Dept. Stores	427,415
Variety Stores	84,312
Jewelry	80,799
Sporting Goods/Toys	127,639
Discount Dept.	426,244
Antiques, etc.	5,855
Others	18,736
Furniture	391,000
Furniture	92,276
Home Furnishings	136,068
Store/Office Equip.	85,238
Music Instr./Suppl.	16,813
Radios,TV, etc.	60,605
Transportation & Utilities	1,590,000
New/Used Vehicles	556,500
Tires, Batt., Prts.	701,190
Marine Sales/Rentals	84,270
Auto/Truck Rentals	248,040
Drugstore	649,000
Apparel	214,000
Men's and Boy's	28,034
Women's and Girl's	71,048
Infants	4,494
Family	59,492
Shoes	44,726
Jeans/Leather	856
Tailors/Uniforms	3,852
Others	1,498
Hardware	1,253,000
Hardware	606,452
Lawn/Seed/Fertil.	23,807
Others	622,741
Vehicle Service	713,000
Gasoline	242,420
Garage, Repairs	470,580
Miscellaneous	685,000
Advert. Signs, etc.	10,960
Barber/Beauty shop	41,785
Book Stores	31,510
Bowling	15,755
Cig./Tobacco Dealer	4,795
Dent./Physician Lab	27,400
Florist/Nurseries	51,375
Laundry, Dry Clean	23,290
Optical Goods/Opt.	16,440
Photo Sup./Photog.	47,265
Printing	55,485
Paper/Paper Prod.	29,455
Gifts/Cards/Novel.	97,955
Newsstands	5,480
Video Rent/Sales	89,050
Others	137,000
TOTAL	$8,687,000

*Developed by The Chesapeake Group, Inc., 2005.

Growth in Retail Sales

From a public policy perspective, growth opportunities are critical. By focusing on opportunities that result from growth and assuming reasonable competitive positions, no sales or revenues are extracted from existing operations to create or attract new business or businesses. Thus and theoretically, expansions or new businesses do not come at the expense of existing ones.

It is noted that all three counties are expected to see reasonable growth in terms of new households in the foreseeable future. Those new households result in growth in demand for retail and service activity. Emmet County is expected to see the greatest level of growth of the three, adding a minimum of 600 new households in the next nine years. Cheboygan will see a minimum of 350 new households. Mackinac County will see a minimum of about one-third the level of growth of Cheboygan County.

As a result of the change in households and anticipated changes in average household income, retail and related services sales for Cheboygan County, excluding Mackinaw City, are expected to grow from about $381.5 million in 2005, to $393.3 million in 2015.

Table 61 – Cheboygan County Sales Estimates by Category for 2005, 2010, & 2015*

Sub-category	2005	2010	2015
Food	$52,619,000	$53,312,000	$54,232,000
Eat/Drink	36,135,000	36,611,000	37,243,000
General Merchandise	51,436,000	52,113,000	53,013,000
Furniture	17,171,000	17,397,000	17,697,000
Transportation & Utilities	69,866,000	70,786,000	72,008,000
Drugstore	28,504,000	28,879,000	29,378,000
Apparel	9,387,000	9,510,000	9,675,000
Hardware	55,023,000	55,747,000	56,710,000
Vehicle Service	31,327,000	31,740,000	32,288,000
Miscellaneous	30,106,000	30,502,000	31,029,000
TOTAL	$381,575,000	$386,596,000	$393,274,000

*Developed by The Chesapeake Group, Inc., 2005.

As found in Table 62, Emmet County sales are larger and are expected to grow from $637.3 million in 2005, to $666.3 million in 2015

Table 62 – Estimated Retail & Related Services Sales for Emmet County by Category*

Category	2005	2010	2015
Food	$87,886,000	$89,550,000	$91,880,000
Eat/Drink	60,354,000	61,497,000	63,097,000
General Merchandise	85,910,000	87,537,000	89,815,000
Furniture	28,679,000	29,222,000	29,983,000
Transportation & Utilities	116,692,000	118,902,000	121,996,000
Drugstore	47,607,000	48,509,000	49,771,000
Apparel	15,678,000	15,975,000	16,391,000
Hardware	91,901,000	93,641,000	96,078,000
Vehicle Service	52,324,000	53,315,000	54,702,000
Miscellaneous	50,284,000	51,236,000	52,570,000
TOTAL	$637,315,000	$649,385,000	$666,283,000

*Developed by The Chesapeake Group, Inc., 2005.

Of the three counties, retail and related services sales are smallest in Mackinac County and are expected to show lesser increases in the future.

Table 63 – Estimated Retail & Related Services Sales for Mackinac County by Category*

Category	2005	2010	2015
Food	$22,145,000	$22,469,000	$22,794,000
Eat/Drink	15,207,000	15,430,000	15,654,000
General Merchandise	21,647,000	21,964,000	22,282,000
Furniture	7,226,000	7,332,000	7,438,000
Transportation & Utilities	29,403,000	29,834,000	30,266,000
Drugstore	11,996,000	12,172,000	12,348,000
Apparel	3,950,000	4,008,000	4,066,000
Hardware	23,156,000	23,496,000	23,836,000
Vehicle Service	13,184,000	13,377,000	13,571,000
Miscellaneous	12,670,000	12,856,000	13,042,000
TOTAL	$160,584,000	$162,940,000	$165,296,000

*Developed by The Chesapeake Group, Inc., 2005.

Table 64 contains the retail sales for 2005 for the three counties that compose the market for goods and services in Mackinaw City

Table 64 – Estimated Retail & Related Services for the Tri-County Market for 2005 by Category*

Category	Cheboygan 2005	Emmet 2005	Mackinac 2005
Food	$52,619,000	$87,886,000	$22,145,000
Eat/Drink	36,135,000	60,354,000	15,207,000
General Merchandise	51,436,000	85,910,000	21,647,000
Furniture	17,171,000	28,679,000	7,226,000
Transportation & Utilities	69,866,000	116,692,000	29,403,000
Drugstore	28,504,000	47,607,000	11,996,000
Apparel	9,387,000	15,678,000	3,950,000
Hardware	55,023,000	91,901,000	23,156,000
Vehicle Service	31,327,000	52,324,000	13,184,000
Miscellaneous	30,106,000	50,284,000	12,670,000
TOTAL	$381,574,000	$637,315,000	$160,584,000

*Developed by The Chesapeake Group, Inc., 2005.

Supportable Space

Retail sales and related services revenues are converted to supportable space through the application of sales or revenue productivity levels. A sales or revenue productivity level is the level of sales or revenues per square foot at which it is assumed that the business will generate sufficient revenue to cover all costs of operation as well as provide a reasonable return on investment for the ownership or operating entity.

As might be expected, sales or revenue productivity levels vary, sometimes greatly, for each sub-category, type of business operation, or store-type. The productivity levels vary from very low figures for bowling centers to hundreds of dollars for other users. Supportable space is derived by dividing the amount of sales by a sales productivity level.

Table 65 contains the estimates of sales and supportable square feet of space by category for Mackinaw City generated by its own residents for 2005. It is noted that:

- ✓ The total supportable space is only 25,642 square feet.
- ✓ All categories are relatively small, meaning few if any are sufficient to support operations without the visitor market or the attraction of residents from the larger county areas.
- ✓ Hardware and transportation are the largest categories in terms of supportable space.
- ✓ The combined transportation and vehicle services categories represent about one-fourth of all supportable space.

It is also once again noted that no one area is capable of attracting all sales and related supportable space from any given geographic area or market, irrespective of the dominance, success and viability of that area.

Table 65 – Estimated Retail & Related Services Sales for the Village of Mackinaw City by Category for 2005*

Category	2005 Sales	2005 Space
Food	$1,198,000	2,237
Eat/Drink	823,000	2,058
General Merchandise	1,171,000	3,819
Furniture	391,000	1,228
Transportation & Utilities	1,590,000	4,626
Drugstore	649,000	1,298
Apparel	214,000	666
Hardware	1,253,000	5,327
Vehicle Service	713,000	1,736
Miscellaneous	685,000	2,647
TOTAL	$8,687,000	25,642

*Developed by The Chesapeake Group, Inc., 2005.

It is also noted that the market is so small, that even increases of 50% in terms of households would not, by itself, impact demand sufficiently to create additional retail and related service opportunities. Therefore, future estimates for retail sales generated by Village households are not made. Table 67 contains the information on retail and related services sales by type of operation or sub-category generated by Village households for 2005.

However, significant increases in households living in the area could have a psychological impact that would go beyond any "practical impact" in terms of the residents coming from outside of the Village to the Village. Additional local off-season "foot traffic" could be important in viewing Mackinaw City as the regional center for three counties.

Table 67 – Estimated Retail & Related Services Sales for the Village of Mackinaw City by Sub-category for 2005*

Sub-category	2005 Sales	2005 Space
Food	$1,198,000	2,237
Supermarkets	1,000,330	1,695
Independents	95,840	240
Bakeries	26,356	88
Dairies	15,574	43
Others	59,900	171
Eat/Drink	823,000	2,058
General Merchandise	1,171,000	3,819
Dept. Stores	427,415	1,425
Variety Stores	84,312	324
Jewelry	80,799	114
Sporting Goods/Toys	127,639	425
Discount Dept.	426,244	1,421
Antiques, etc.	5,855	25
Others	18,736	85
Furniture	391,000	1,228
Furniture	92,276	298
Home Furnishings	136,068	389
Store/Office Equip.	85,238	284
Music Instr./Suppl.	16,813	84
Radios,TV, etc.	60,605	173
Transportation & Utilities	1,590,000	4,626
New/Used Vehicles	556,500	1,391
Tires, Batt., Prts.	701,190	2,337
Marine Sales/Rentals	84,270	228
Auto/Truck Rentals	248,040	670
Drugstore	649,000	1,298
Apparel	214,000	666
Men's and Boy's	28,034	70
Women's and Girl's	71,048	192
Infants	4,494	15
Family	59,492	198
Shoes	44,726	163
Jeans/Leather	856	3
Tailors/Uniforms	3,852	19
Others	1,498	6
Hardware	1,253,000	5,327
Hardware	606,452	2,426
Lawn/Seed/Fertil.	23,807	70
Others	622,741	2,831
Vehicle Service	713,000	1,736
Gasoline	242,420	167
Garage, Repairs	470,580	1,569
Miscellaneous	685,000	2,647
Advert. Signs, etc.	10,960	40
Barber/Beauty shop	41,785	209
Book Stores	31,510	85
Bowling	15,755	158
Cig./Tobacco Dealer	4,795	10
Dent./Physician Lab	27,400	84
Florist/Nurseries	51,375	121
Laundry, Dry Clean	23,290	78
Optical Goods/Opt.	16,440	47
Photo Sup./Photog.	47,265	135
Printing	55,485	202
Paper/Paper Prod.	29,455	147
Gifts/Cards/Novel.	97,955	327
Newsstands	5,480	11
Video Rent/Sales	89,050	445
Others	137,000	548
TOTAL	$8,687,000	25,642

*Developed by The Chesapeake Group, Inc., 2005.

Supportable space and changes in anticipated space for all three counties though are significant due to the noted growth in households and changes incomes. Table 68 contains the supportable space for Cheboygan County for 2005 and the anticipated change from 2005 to 2015. An additional 34,500 square feet in opportunity will be added to the market.

Table 68 – Change in Space by Category in Cheboygan County from 2005 to 2015 (in square feet)*

Category	2005 Space	2005-2015 Space
Food	98,269	3,012
Eat/Drink	90,338	2,770
General Merchandise	167,779	5,144
Furniture	53,919	1,651
Transportation & Utilities	203,301	6,233
Drugstore	57,008	1,748
Apparel	29,210	896
Hardware	233,902	7,171
Vehicle Service	76,265	2,337
Miscellaneous	116,279	3,566
TOTAL	1,126,270	34,528

*Developed by The Chesapeake Group, Inc., 2005.

Table 69 contains similar information for Emmet County, the largest county in terms of supportable space. Emmet County's households support a total of almost 1.9 million square feet of space in 2005. An increase of more than 85,500 square feet is anticipated over the next ten years.

Table 69 – Change in Estimated Retail & Related Services Supportable Space for Emmet County by Category (in square feet)*

Category	2005	2005-2015
Food	164,132	7,461
Eat/Drink	150,885	6,858
General Merchandise	280,230	12,738
Furniture	90,055	4,095
Transportation & Utilities	339,558	15,434
Drugstore	95,214	4,328
Apparel	48,785	2,220
Hardware	390,669	17,756
Vehicle Service	127,382	5,790
Miscellaneous	194,215	8,829
TOTAL	1,881,125	85,509

*Developed by The Chesapeake Group, Inc., 2005.

Table 70 contains the information on supportable space and anticipated change for Cheboygan County by type of operation or sub-category of retail, while Table 71 contains similar information for Emmet County.

Table 70 – Change in Space in Cheboygan County from 2005 to 2015 (in square feet)*

Sub-category	2005 Space	2005-2015 Space
Food	98,269	3,012
Supermarkets	74,469	2,283
Independents	10,524	323
Bakeries	3,859	118
Dairies	1,900	58
Others	7,517	230
Eat/Drink	90,338	2,770
General Merchandise	167,779	5,144
Dept. Stores	62,580	1,919
Variety Stores	14,244	437
Jewelry	4,999	153
Sporting Goods/Toys	18,688	573
Discount Dept.	62,409	1,913
Antiques, etc.	1,118	34
Others	3,741	115
Furniture	53,919	1,651
Furniture	13,072	400
Home Furnishings	17,073	523
Store/Office Equip.	12,478	382
Music Instr./Suppl.	3,692	113
Radios,TV, etc.	7,604	233
Transportation & Utilities	203,301	6,233
New/Used Vehicles	61,133	1,874
Tires, Batt., Prts.	102,703	3,149
Marine Sales/Rentals	10,008	307
Auto/Truck Rentals	29,457	903
Drugstore	57,008	1,748
Apparel	29,210	896
Men's and Boy's	3,074	94
Women's and Girl's	8,423	258
Infants	657	20
Family	8,699	267
Shoes	7,134	219
Jeans/Leather	125	4
Tailors/Uniforms	845	26
Others	253	8
Hardware	233,902	7,171
Hardware	106,525	3,266
Lawn/Seed/Fertil.	3,075	94
Others	124,302	3,811
Vehicle Service	76,265	2,337
Gasoline	7,346	225
Garage, Repairs	68,919	2,112
Miscellaneous	116,279	3,566
Advert. Signs, etc.	1,752	54
Barber/Beauty shop	9,182	282
Book Stores	3,743	115
Bowling	6,924	212
Cig./Tobacco Dealer	421	13
Dent./Physician Lab	3,705	114
Florist/Nurseries	5,313	163
Laundry, Dry Clean	3,412	105
Optical Goods/Opt.	2,064	63
Photo Sup./Photog.	5,935	182
Printing	8,868	272
Paper/Paper Prod.	6,473	198
Gifts/Cards/Novel.	14,351	440
Newsstands	482	15
Video Rent/Sales	19,569	600
Others	24,085	738
TOTAL	1,126,270	34,528

*Developed by The Chesapeake Group, Inc., 2005.

Table 71 – Change in Estimated Retail & Related Services Supportable Space for Emmet County by Sub-category (in square feet)*

Sub-category	2005	2005-2015
Food	164,132	7,461
Supermarkets	124,381	5,654
Independents	17,577	799
Bakeries	6,445	293
Dairies	3,174	144
Others	12,555	571
Eat/Drink	150,885	6,858
General Merchandise	280,230	12,738
Dept. Stores	104,524	4,751
Variety Stores	23,790	1,081
Jewelry	8,349	380
Sporting Goods/Toys	31,214	1,419
Discount Dept.	104,237	4,738
Antiques, etc.	1,868	85
Others	6,248	284
Furniture	90,055	4,095
Furniture	21,833	993
Home Furnishings	28,515	1,297
Store/Office Equip.	20,840	948
Music Instr./Suppl.	6,166	280
Radios,TV, etc.	12,701	577
Transportation & Utilities	339,558	15,434
New/Used Vehicles	102,106	4,641
Tires, Batt., Prts.	171,537	7,797
Marine Sales/Rentals	16,715	760
Auto/Truck Rentals	49,200	2,236
Drugstore	95,214	4,328
Apparel	48,785	2,220
Men's and Boy's	5,135	234
Women's and Girl's	14,068	640
Infants	1,097	50
Family	14,528	661
Shoes	11,915	542
Jeans/Leather	209	10
Tailors/Uniforms	1,411	64
Others	422	19
Hardware	390,669	17,756
Hardware	177,920	8,087
Lawn/Seed/Fertil.	5,136	233
Others	207,613	9,436
Vehicle Service	127,382	5,790
Gasoline	12,269	558
Garage, Repairs	115,113	5,232
Miscellaneous	194,215	8,829
Advert. Signs, etc.	2,926	133
Barber/Beauty shop	15,337	697
Book Stores	6,252	284
Bowling	11,565	526
Cig./Tobacco Dealer	704	32
Dent./Physician Lab	6,189	281
Florist/Nurseries	8,874	403
Laundry, Dry Clean	5,699	259
Optical Goods/Opt.	3,448	157
Photo Sup./Photog.	9,913	451
Printing	14,811	673
Paper/Paper Prod.	10,811	491
Gifts/Cards/Novel.	23,969	1,090
Newsstands	805	37
Video Rent/Sales	32,685	1,486
Others	40,227	1,829
TOTAL	1,881,125	85,509

*Developed by The Chesapeake Group, Inc., 2005.

Table 72 and 73 (the latter found on the next page) contain information on sales and supportable space for the combined tri-county market for 2005 and the anticipated change from 2005 to 2015. The combined markets and the anticipated change in the combined markets are substantial. It is noted that:

- ✓ Supportable retail and related services space for the tri-county area is estimated to be about 3.5 million square feet for 2005
- ✓ Demand will increase resulting in support for an additional 134,000 square feet of space over the next nine years.
- ✓ Increases in eating and drinking establishment space will be substantial, affording the opportunity for 4 to 8 additional establishments.
- ✓ An expansion of a supermarket is also possible through the addition of roughly 9,000 square feet of space. On the other hand, it is possible that larger growth could occur as the area may contain less space than is supportable at present.
- ✓ An additional pharmacy or pharmacy linked to another operation will be supportable in the future.
- ✓ An additional smaller hardware and home improvement center is also likely to be marketable.
- ✓ Additional auto service and parts dealer will be marketable as well.

Table 72 – Estimated Change in Sales and Space in Retail & Related Services Supportable Space for the Tri-County Market for 2005 by Category (in square feet)*

Category	2005 Sales	2005-2015 Sales	2005 Space	2005-2015 Space
Food	$162,649,000	$6,258,000	303,757	11,688
Eat/Drink	111,696,000	4,297,000	279,240	10,743
General Merchandise	158,993,000	6,117,000	518,619	19,953
Furniture	53,076,000	2,042,000	166,664	6,412
Transportation & Utilities	215,962,000	8,309,000	628,420	24,177
Drugstore	88,107,000	3,390,000	176,214	6,780
Apparel	29,015,000	1,116,000	90,285	3,471
Hardware	170,080,000	6,544,000	723,005	27,818
Vehicle Service	96,835,000	3,726,000	235,743	9,071
Miscellaneous	93,060,000	3,580,000	359,427	13,826
TOTAL	$1,179,473,000	$45,379,000	3,481,374	133,939

*Developed by The Chesapeake Group, Inc., 2005.

Retail Implications

Mackinaw City, with proper marketing, is well geographically positioned to tap the tri-county market area residents. While some say it is "too far" from home, many come for one purpose or another at present. Marketing to this growing multi-county residential population while increasing the local residential base could enhance the Village's viability as a regional center. Growing demand is sufficient to support an additional community based shopping activity as described above. The Village could be in a position to seize the opportunity.

Table 73 – Estimated Change in Sales and Space in Retail & Related Services Supportable Space for the Tri-County Market for 2005 by Sub-category (in square feet)*

Sub-category	2005 Sales	2005-2015 Sales	2005 Space	2005-2015 Space
Food	$162,649,000	$6,258,000	303,757	11,688
Supermarkets	135,811,915	5,225,430	230,190	8,857
Independents	13,011,920	500,640	32,530	1,252
Bakeries	3,578,278	137,676	11,928	459
Dairies	2,114,437	81,354	5,873	226
Others	8,132,450	312,900	23,236	894
Eat/Drink	111,696,000	4,297,000	279,240	10,743
General Merchandise	158,993,000	6,117,000	518,619	19,953
Dept. Stores	58,032,445	2,232,705	193,441	7,442
Variety Stores	11,447,496	440,424	44,029	1,694
Jewelry	10,970,517	422,073	15,451	594
Sporting Goods/Toys	17,330,237	666,753	57,767	2,223
Discount Dept.	57,873,452	2,226,588	192,912	7,422
Antiques, etc.	794,965	30,585	3,456	133
Others	2,543,888	97,872	11,563	445
Furniture	53,076,000	2,042,000	166,664	6,412
Furniture	12,525,936	481,912	40,406	1,555
Home Furnishings	18,470,448	710,616	52,773	2,030
Store/Office Equip.	11,570,568	445,156	38,569	1,484
Music Instr./Suppl.	2,282,268	87,806	11,411	439
Radios,TV, etc.	8,226,780	316,510	23,505	904
Transportation & Utilities	215,962,000	8,309,000	628,420	24,177
New/Used Vehicles	75,586,700	2,908,150	188,967	7,270
Tires, Batt., Prts.	95,239,242	3,664,269	317,464	12,214
Marine Sales/Rentals	11,445,986	440,377	30,935	1,190
Auto/Truck Rentals	33,690,072	1,296,204	91,054	3,503
Drugstore	88,107,000	3,390,000	176,214	6,780
Apparel	29,015,000	1,116,000	90,285	3,471
Men's and Boy's	3,800,965	146,196	9,502	365
Women's and Girl's	9,632,980	370,512	26,035	1,001
Infants	609,315	23,436	2,031	78
Family	8,066,170	310,248	26,887	1,034
Shoes	6,064,135	233,244	22,051	848
Jeans/Leather	116,060	4,464	387	15
Tailors/Uniforms	522,270	20,088	2,611	100
Others	203,105	7,812	781	30
Hardware	170,080,000	6,544,000	723,005	27,818
Hardware	82,318,720	3,167,296	329,275	12,669
Lawn/Seed/Fertil.	3,231,520	124,336	9,504	366
Others	84,529,760	3,252,368	384,226	14,783
Vehicle Service	96,835,000	3,726,000	235,743	9,071
Gasoline	32,923,900	1,266,840	22,706	874
Garage, Repairs	63,911,100	2,459,160	213,037	8,197
Miscellaneous	93,060,000	3,580,000	359,427	13,826
Advert. Signs, etc.	1,488,960	57,280	5,414	208
Barber/Beauty shop	5,676,660	218,380	28,383	1,092
Book Stores	4,280,760	164,680	11,570	445
Bowling	2,140,380	82,340	21,404	823
Cig./Tobacco Dealer	651,420	25,060	1,303	50
Dent./Physician Lab	3,722,400	143,200	11,454	441
Florist/Nurseries	6,979,500	268,500	16,422	632
Laundry, Dry Clean	3,164,040	121,720	10,547	406
Optical Goods/Opt.	2,233,440	85,920	6,381	245
Photo Sup./Photog.	6,421,140	247,020	18,346	706
Printing	7,537,860	289,980	27,410	1,054
Paper/Paper Prod.	4,001,580	153,940	20,008	770
Gifts/Cards/Novel.	13,307,580	511,940	44,359	1,706
Newsstands	744,480	28,640	1,489	57
Video Rent/Sales	12,097,800	465,400	60,489	2,327
Others	18,612,000	716,000	74,448	2,864
TOTAL	1,179,473,000	45,379,000	3,481,374	133,939

*Developed by The Chesapeake Group, Inc., 2005.

Office Space

As with retail activity, residential growth provides the opportunity for growth in professional and other services.

Office growth results for both needs generated by residents for services, but also employment activity. Particularly in communities with seasonal populations that may have individuals that own, manage, or otherwise play a significant role in corporations and business entities elsewhere, the need for space is derived from this population's very existence. The following are factored into the estimates of opportunity for additional office space.

- ✓ The average amount of square feet per office employee is estimated at about 250. This is a gross figure, including corridors, entrances, etc.
- ✓ Many of the new households will be headed by those seeking retirement or semi-retirement in the near future.
- ✓ Trends in housing in Emmet County indicate that demand is expanding for condominiums and other housing products, particularly along the waterfront. Residents of those new units are often part-time and continue to be employed at this time.

With the tri-county household growth expected to exceed, at a minimum, 1,000 in the foreseeable future, the office opportunity is reasonable and could be significant for Mackinaw City. Increased demand could result in growth in the tri-county area of between 62,000 and 100,000 square feet of office space. As with retail, a "properly positioned" Mackinaw City could attract a substantial portion of the new service demand and, thus, the associated space.

Comparative Assessment

As part of the analysis for the Village of Mackinaw City, two comparative assessments were performed to identify business "gaps" and opportunities. Both involved comparing the business structure in a specific geographic area to "like" geographic areas around the country. The identified business gaps defined in this process may or may not be appropriate for the community because of the nature of operations, scale, or other factors.

Methodology

The first assessment involved comparing the business structure contained within the larger combined zip code tabulation areas (ZCTA) of 49701, 49757, and 49781 to similar areas or communities defined by five digit zip code areas. These three zip code areas represent the Village of Mackinaw City, Mackinac Island, and St. Ignace respectively. In determining communities for which the comparison can be made, the following criteria were used:

- ✓ The population size and household numbers had to be similar to those associated with the combined ZCTA 49701, 49757, and 49781, since demand for goods and services are ultimately partially dependent upon the size of the residential market served.
- ✓ All of the selected communities or zip code areas are associated with significant tourist and recreational activities.
- ✓ The areas had somewhat similar transportation network access.

Based on the criteria, seven geographic areas were identified for which the comparison in economic structure was made. These seven areas are:

- Zip Code 04046, Kennebunkport, ME.
- ZCTA 13326, Cooperstown, NY.
- 27949, Kitty Hawk on North Carolina's Outer Banks.
- ZCTA 44681, the Amish area of Sugar Creek, OH.
- ZCTA 65737, Branson West, MO.
- Zip code 81657, Vail, CO.
- 98250, Friday Harbor located on Washington's San Juan Islands.

It is noted that all population and household estimates upon which the comparisons are made were derived from the same source for comparability. That source was the 2000 U.S. Census Bureau data. Also for consistency purposes, a single source was employed to define the business structure and activity within all selected areas. That source was the U.S. Census Bureau's 2002 County Business Patterns.

The North American Industry Classification System (NAICS) was introduced in 1997 as a more effective business classification system that identifies and groups establishments according to the activities in which they are primarily engaged. It replaces the older Standard Industry Classification (SIC) coding system that was first employed in 1938. NAICS identifies and groups 1,170 different types of "industries" or establishments into twenty major industry sectors ranging from Agriculture (Sector 11) to Public Administration (Sector 92). This analysis examined and extracted data from all twenty of these sectors. These twenty sectors are:

- ✓ Agriculture, Forestry, Fishing and Hunting (Sector 11): Crop and animal production, forestry and logging, fishing, hunting, trapping, support activities for agriculture and forestry.
- ✓ Mining (Sector 21): oil and gas extraction, mining, support activities for mining.
- ✓ Utilities (Sector 22): power generation, transmission, and distribution, water, sewage, and other systems.
- ✓ Construction (Sector 23): building, developing, general contracting, heavy construction, special trade contractors.
- ✓ Manufacturing (Sector 31-33): food, beverage and tobacco product, textile and textile product mills, apparel, leather and allied products, wood product, paper, printing and related support activities, petroleum and coal products, chemicals, plastics and rubber products, nonmetallic mineral products, primary metals, fabricated metal products, machinery, computer and electronic products, electronic equipment, appliances, and components, transportation equipment, furniture and related products.
- ✓ Wholesale Trade (Sector 42): durable and nondurable goods.
- ✓ Retail Trade (Sector 44-45): Motor vehicle and parts, furniture and home furnishings, electronics and appliances, building material and garden equipment and supplies, grocery and beverage, health and personal care, gasoline stations, clothing and accessories, sports, hobby, books and music, general merchandise and miscellaneous store retailers.
- ✓ Transportation and Warehousing (Sector 48-49): air, rail, water, and truck transportation, transit and ground passenger transportation, pipeline transportation, scenic and sightseeing transportation, support activities for transportation, postal service, couriers and messengers, warehousing and storage.
- ✓ Information (Sector 51): Publishing, motion picture and sound recording and exhibition, broadcasting and telecommunications, information services and data processing.
- ✓ Finance and Insurance (Sector 52): Monetary authorities, credit intermediation, securities, commodities, insurance, funds, trusts, and other financial vehicles.
- ✓ Real Estate, Rental and Leasing (Sector 53): Real estate, rental centers and leasing services.
- ✓ Professional, Scientific and Technical Services (Sector 54): Lawyers, accountants, engineers, computer services, veterinary services, etc.
- ✓ Management of Companies and Enterprises (Sector 55): Management, holding companies, corporate and regional offices.
- ✓ Administrative and Support, Waste Management and Remediation Services (Sector 56): Administrative and facilities support services, employment and business support services, travel arrangements, investigative and security systems and other business services.
- ✓ Educational Services (Sector 61): Public sector schools, business, technical, trade schools and instruction.

- ✓ Health Care and Social Assistance (Sector 62): Ambulatory health care services, hospitals, nursing and residential care facilities and social assistance.
- ✓ Arts, Entertainment, and Recreation (Sector 71): Performing arts, spectator sports, museums, historical sites, amusement, gambling and recreation industries.
- ✓ Accommodation and Food Services (Sector 72): Accommodations, food service and drinking places.
- ✓ Other Services (Sector 81): Repair and maintenance, personal and laundry services, and religious, grant making, civic and professional organizations.
- ✓ Public Administration (Sector 92): executive, legislative, and other general government support, justice, public order, and safety activities, administration of human resource programs, administration of environmental quality programs, administration of housing programs, urban planning, and community development, administration of economic programs, space research and technology, national security and international affairs.

Under-represented Industries - Comparison Area 1

Under-represented "industries" were then defined as those where the area (ZCTA 49701, 49757, and 49781) had a lesser number of businesses than at least four of the seven other areas. Thus, the number of businesses within the area compared to the other communities was below what might be expected.

It is also noted that in some cases, the differences are great, or no businesses in the under-served categories were identified within the area. Once again, under-representation does not mean that the identified categories of businesses are desirable for Mackinaw City.

The following are the "industries" or businesses identified as being under-represented; thirty-six (36) are identified.

Table 74 – Under-represented Industries for ZCTA areas 49701, 49757 and 49781*

NAICS Code	Type of Business
233110	Land Subdivision and Land Development
233210	Single Family Housing Construction
235210	Painting and Wall Covering Contractors
235410	Masonry and Stone Contractors
235510	Carpentry Contractors
235710	Concrete Contractors
235990	All Other Special Trade Contractors
323110	Commercial Lithographic Printing
441110	New Car Dealers

Table 74 Continued – Under-represented Industries for ZCTA areas 49701, 49757 and 49781*

NAICS Code	Type of Business
441120	Used Car Dealers
448120	Women's Clothing Stores
448120	Children's & Infants Clothing Stores
451120	Hobby, Toy & Game Stores
453920	Art Dealers
454312	Liquefied Petroleum Gas (Bottled Gas) Dealers
454390	Other Direct Selling Establishments
531210	Offices of Real Estate Agents & Brokers
532230	Video Tape and Disc Rental
541110	Offices of Lawyers
541213	Tax Preparation Services
541320	Landscaping Architectural Services
541511	Custom Computer Programming Services
541613	Marketing Consulting Services
561710	Exterminating & Pest Control Services
561720	Janitorial Services
561730	Landscaping Services
621111	Offices of Physicians (except Mental Health Specialists)
621320	Offices of Optometrists
621498	All Other Outpatient Care Centers
621910	Ambulance Services
624410	Child Day Care Services
711510	Independent Artists, Writers, and Performers
712110	Museums
713910	Golf Courses and Country Clubs
713940	Fitness & Recreational Sports Centers
812112	Beauty Salons

*Developed by The Chesapeake Group, Inc., 2005.

It is noted that the Village area does not contain less of any types of traditional "industrial activity" or R & D than these like communities.

Over-represented Industries - Comparison Area 1

Over-represented "industries" are defined as those where ZCTA 49701, 49757, and 49781 combined had a greater number of businesses than at least four other areas. Thus, the number of businesses within the study area compared to the other communities was above what might be expected.

It is also noted that in some cases, the differences are great, or no businesses in the over-served categories were identified anywhere except the study area. Over-representation does not mean that the identified categories of businesses are detrimental to the area.

The following are the "industries" or businesses identified as being over-represented within the combined three zip code study area. About forty-seven (47) are identified.

Table 75 – Over-represented Industries for ZCTA areas 49701, 49757 and 49781*

NAICS Code	Type of Business
233320	Commercial and Institutional Building Construction
235310	Electrical Contractors
235610	Roofing, Siding, and Sheet Metal Contractors
311330	Confectionary Manufacturing from Purchased Chocolate
311340	Nonchocolate Confectionary Manufacturing
311811	Retail Bakeries
422460	Fish and Seafood Wholesalers
442110	Furniture Stores
443112	Radio, Television, and Other Electronics Stores
444130	Hardware Stores
444190	Other Building Material Dealers
445110	Supermarkets and Other Grocery (except Convenience Stores)
445120	Convenience Stores
445292	Confectionary and Nut Stores
445310	Beer, Wine, and Liquor Stores
447110	Gasoline Stations with Convenience Stores
447190	Other Gasoline Stations
448140	Family Clothing Stores
448150	Clothing Accessories Stores
448190	Other Clothing Stores
448210	Shoe Stores
451211	Book Stores
453220	Gift, Novelty, and Souvenir Stores
483114	Coastal and Great Lakes Freight Transportation
483212	Inland Water Passenger Transportation
511110	Newspaper Publishers
513310	Wired Telecommunications Carriers
522110	Commercial Banking
531110	Lessors of Residential Buildings and dwellings

Table 75 Continued – Over-represented Industries for ZCTA areas 49701, 49757 and 49781*

NAICS Code	Type of Business
532292	Recreational Goods Rental
541211	Office of Certified Public Accountants
541214	Payroll Services
541330	Engineering Services
541611	Administrative Management and General Management Consulting Services
561330	Employee Leasing Services
561591	Convention and Visitors Bureaus
621210	Offices of Dentists
711110	Theater Companies and Dinner Theaters
721110	Hotels (except Casino Hotels) and Motels
721191	Beds & Breakfast Inns
721211	RV Parks & Campgrounds
722110	Full-Service Restaurants
722211	Limited-Service Restaurants
722213	Snack & Nonalcoholic Beverage Bars
722410	Drinking Places (Alcoholic Beverages)
811111	General Automotive Repair
812310	Coin-Operated Laundries and Drycleaners

*Developed by The Chesapeake Group, Inc., 2005.

Under-represented Industries - Comparison Area 2

A second set of comparisons was also made. In this second set, the larger Cheboygan County business structure was compared to that associated with counties that are "similar". The following criteria were employed in selecting the other counties.

- ✓ The population size and household numbers had to be similar.
- ✓ Cheboygan County, along with the selected counties, experienced reasonable levels of population growth in the decade between the 1990 and 2000 census.
- ✓ The most recent reported annual household incomes for both Cheboygan County and the selected counties were comparable.
- ✓ The counties all contain or are adjacent to large bodies of water.

A total of nine counties were selected for the comparison in economic structure. These counties are:

- Abbeville Co., SC
- Cherokee Co., AL
- Cleburne Co., AR
- Door Co., WI
- Jefferson Co., WA
- Manistee Co., MI
- Mason Co., MI
- Tillamook Co., OR
- Yates Co., NY

Under-represented "industries" were defined as those where Cheboygan County has a lesser number of businesses than five of the nine other counties. The analysis identified forty-nine (49) such businesses or industries.

It should be noted that four of the 49 under-represented businesses were identified as being over-represented in the first comparative assessment which compared the local zip codes to other similar communities. These four business types were:

- Supermarkets and other Grocery (except Convenience) Stores
- Shoe Stores
- Lessors of Residential Buildings and Dwellings, and
- Administrative Management & General Management Consulting Services.

Table 76 – Under-represented Industries for Cheboygan County*

NAICS Code	Type of Business
233110	Land Subdivision and Land Development
233220	Multifamily Housing Construction
234110	Highway and Street Construction
235420	Drywall, Plastering, Acoustical, and Insulation Contractors
323114	Quick Printing
327320	Ready-Mix Concrete Manufacturing
332710	Machine Shops
337110	Wood Kitchen Cabinet and Countertop Manufacturing
421820	Farm and Garden Machinery and Equipment Wholesalers
421830	Industrial Machinery and Equipment Wholesalers
422690	Other Chemical and Allied Products Wholesalers
441320	Tire Dealers
445110	Supermarkets and other Grocery (except Convenience) Stores
445230	Fruit and Vegetable Markets
446110	Pharmacies and Drug Stores
448120	Women's Clothing Stores
448210	Shoe Stores
451110	Sporting Goods Stores
453110	Florists
453310	Used Merchandise Stores
453910	Pet & Pet Supplies Stores
484121	General Freight Trucking, Long-Distance, Truckload
484122	General Freight Trucking, Long-Distance, Less than Truckload
484210	Used Household and Office Goods Moving
484230	Specialized Freight (Except Used Goods) Trucking, Local

Table 76 Continued – Under-represented Industries for Cheboygan County*

NAICS Code	Type of Business
487210	Scenic and Sightseeing Transportation, Water
513112	Radio Stations
513220	Cable and Other Program Distribution
522292	Real Estate Credit
523120	Securities Brokerage
531110	Lessors of Residential Buildings and Dwellings
531120	Lessors of Nonresidential Buildings (except Miniwarehouses)
531130	Lessors of Miniwarehouses and Self Storage Units
531320	Offices of Real Estate Appraisers
532230	Video Tape and Disc Rental
541213	Tax Preparation Services
541310	Architectural Services
541511	Custom Computer Programming Services
541611	Administrative Management & General Management Consulting Services
541990	All Other Professional, Scientific, and Technical Services
621111	Offices of Physicians (except Mental Health Specialists)
621340	Offices of Physical, Occupational and Speech Therapists, and Audiologists
623110	Specialty (except Psychiatric and Substance Abuse) Hospitals
624120	Services of the Elderly and Persons with Disabilities
624310	Vocational Rehabilitation Services
712110	Museums
722310	Food Service Contractors
812220	Cemeteries and Crematories
813110	Religious Organizations

*Developed by The Chesapeake Group, Inc., 2005.

Highlighted in the above are retail and related services or professional services associated with office demand for which demand forecasts identified potential opportunities as well. Once again, it is noted that the area does not contain less of any types of traditional “industrial activity” or R & D than these like communities.

Over-represented Industries

The over-represented businesses were identified as those businesses within Cheboygan County that had a greater number of establishments than found in at least five of the nine other counties. A total of 87 such businesses were identified and are detailed in the following table.

Seventeen of the 87 over-represented businesses within the comparisons of the various counties were classified as being under-represented in the first comparative assessment of different geographic areas based upon zip code designations. These 17 business types included construction and specialty trades, retail, and other NAICS sectors as shown below:

- Single-Family Housing Construction
- Painting & Wall Covering Contractors
- Masonry & Stone Contractors
- Carpentry Contractors
- Concrete Contractors
- New Car Dealers
- Used Car Dealers
- Hobby, Toy & Game Stores
- Other Direct Selling Establishments
- Offices of Real Estate Agents & Brokers
- Offices of Lawyers
- Janitorial Services
- Landscaping Services
- Ambulance Services
- Golf Courses & Country Clubs
- Fitness& Recreational Sports Centers
- Beauty Salons

Table 77 – Over-represented Industries for Cheboygan County*

NAICS Code	Type of Business
113310	Logging
114111	Finfish Fishing
233210	Single-Family Housing Construction
233320	Commercial & Institutional Building Construction
234120	Bridge and Tunnel Construction
234990	All Other Heavy Construction
235110	Plumbing, Heating and AC Contractor
235210	Painting and Wall Covering Contractors
235310	Electrical Contractors
235410	Masonry & Stone Contractors
235430	Tile, Marble, Terrazzo & Mosaic Contractors
235510	Carpentry Contractors
235610	Roofing, Siding, and Sheet Metal Contractors
235710	Concrete Contractors
235810	Water Well Drilling Contractors
235930	Excavation Contractors
235990	All Other Special Trade Contractors
311811	Retail Bakeries
321113	Sawmills
339950	Sign Manufacturing
421120	Motor Vehicle Supplies and New Parts Wholesale

Table 77 Continued – Over-represented Industries for Cheboygan County*

NAICS Code	Type of Business
421610	Electrical Equipment, Wiring Supplies, Construction Material Wholesale
441110	New Car Dealers
441120	Used Car Dealers
441310	Automotive Parts, Accessories & Tire Stores
442110	Furniture Stores
442210	Floor Covering Stores
443112	Radio, Television and Other Electronics Stores
444190	Other Building Material Dealers
444220	Nursery & Garden Centers
445120	Convenience Stores
445210	Meat Markets
445310	Beer, Wine & Liquor Stores
447110	Gasoline Stations with Convenience Stores
447190	Other Gasoline Stations
448140	Family Clothing Stores
451120	Hobby, Toy & Game Stores
452110	Department Stores
452990	All Other General Merchandise Stores
453220	Gift, Novelty and Souvenir Stores
453930	Manufactured (mobile) Home Dealers
454390	Other Direct Selling Establishments
488410	Motor Vehicle Towing
511110	Newspaper Publishers
511140	Database and Directory Publishers
511210	Software Publishers
514120	Libraries and Archives
522110	Commercial Banking
522130	Credit Unions
524127	Direct Title Insurance Carriers
524210	Insurance Agencies and Brokerages
531210	Offices of Real Estate Agents and Brokers
541110	Offices of Lawyers
541211	Offices of Certified Public Accountants
541219	Other Accounting Services

Table 77 Continued – Over-represented Industries for Cheboygan County*

NAICS Code	Type of Business
541330	Engineering Services
541921	Photography Studios, Portrait
561330	Employee Leasing Services
561510	Travel Agencies
561720	Janitorial Services
561730	Landscaping Services
562991	Septic Tank and Related Services
621210	Offices of Dentists
621310	Offices of Chiropractors
621330	Offices of Other Mental Health Practitioners
621610	Home Health Care Services
621910	Ambulance Services
623210	Residential Mental Retardation Facilities
623312	Homes for the Elderly
713910	Golf Courses & Country Clubs
713930	Marinas
713940	Fitness and Recreational Sports Centers
721110	Hotels (excluding Casino Hotels) and Motels
721191	Bed and Breakfast Inns
721199	All other Traveler Accommodation
721214	Recreational, Vacation Camps (except Campgrounds)
722110	Full-Service Restaurants
722211	Limited-Service Restaurants
722410	Drinking Places (Alcoholic Beverages)
811111	General Automotive Repair
811113	Automotive Transmission Repair
811121	Automotive Body, Paint and Interior Repair and Maintenance
811310	Commercial Equip. (except Automotive and Electronic) Repair & Maintenance
811420	Reupholstery and Furniture repair
811490	Other Personal and Household Goods Repair and Maintenance
812112	Beauty Salons
813312	Environment and Wildlife Organizations

*Developed by The Chesapeake Group, Inc., 2005.

Potential Research & Development Activity

While the comparative assessment indicates that similar areas of a similar scale and a tourism based economy are not likely to have significant traditional industrial or Research & Development activity, there are areas with a strong visitor base that do have such activity and the Research & Development component is growing. In all cases, the research is based on the area's water and land natural resources.

Areas with such activity include some of the best known vacation spots in the country, including the Outer Banks of North Carolina and the Keys in Florida. Generally, areas are situated along the waterfront and the research is often related to both water and nearby land activity. It is noted that the two aforementioned areas have not been afforded the transportation network benefits of Mackinaw City.

Resources

Mackinaw City has numerous resources upon which to build an economic structure beyond that which exit today. These resources include, but are not necessarily limited to:

- Abundance and Variety of Natural Resources. From a range of water bodies and water related resources that include, the Great Lakes, rivers, lakes and wetlands; to environments associated with forests; and to quality air and wind, the Mackinaw Village area has abundance of varied animal, fish, fowl, and wood species upon which to pursue research in a manner that preserves or enhances the natural resources, essential for maintaining and enhancing Mackinaw City's tourism and quality of life.

- A Quality Transportation Network. Included in the network is:

  - ✓ The interstate highway system that links the community to areas to the south;
  - ✓ A regional airport that has regular scheduled airline service, significant runway length and capacity, and modern recently expanded facilities;
  - ✓ Quality state road network to the east, west, and north;
  - ✓ Direct access to Canada; and
  - ✓ Ferry linkages to the island and potentially other locations.

- Position in the Emerging Energy Technology Arena. The Village is home to some of the first modern era wind turbines to be constructed in the Midwest. Also, Michigan's primary gas and electric producing energy companies have been in the forefront of stationary, on-site energy production development utilizing fuel cells and other environmentally sensitive technology.

- Controlled Acreage. The Village owns acreage that can be appropriately utilized for light industrial activity, including research and development. Thus, initial acquisition of additional acreage is not likely to be necessary to establish a base.

- Proximity to Financial Resources and Existing Research Entities and Activity. The development and maturation of a second home market, particularly in the area to the west of Mackinaw City, has resulted in an influx of affluence associated with corporate America. This resource along with several Michigan based higher education institutions represent a quality base upon which Research and Development could be anchored.

- Quality of Life. Quality of life is the one element most commonly sought in company and related entities location decisions.

Methodology

A significant research oriented process was involved in identifying Research and Development opportunities for Mackinaw City. The activity included:

- ✓ Identification of natural resources in the area upon which activity could focus.
- ✓ Identification of appropriate broad areas associated with emerging technology or activities.
- ✓ Identification of specific, detailed existing research activity.
- ✓ Identification of companies, universities and non-profit groups involved with the Research & Development activity in the broad and specific areas.

It is noted that because research is underway using a specific animal, bird, plant, etc. does not mean that there are not other opportunities associated with the same species or another in the area. It also does not mean that other areas of research cannot and should not be opened.

Broad Areas of R & D Activity

There are six appropriate broad areas of Research and Development identified that represent opportunities for Mackinaw City. These are:

1. Invasive Species. Most likely to involve research and continued research than both research and development of products. It is noted that invasive species are a continual and growing problem both upon the land and waterway. Increased international trade is likely to facilitate increasing numbers of species that damage the existing environments in areas.

2. Natural Resources. Most likely to involve research into their use for bio-medicine, other related human and animal health activity, and new product development.

3. Biomass. Most likely involves product development opportunities but also includes research. The product development opportunities often are associated with environmental enhancement or mitigation of current conditions, including lessening of dependence on oil and related products.

4. PCB and Other clean-up. Most likely to involve business development activity based on previously conducted research.

5. Animal cognition. Most likely to involve new and continued research and not product development for assistance with hearing and human disease using assorted species that have shown promise in assisting with Dementia, Alzheimer's, hearing disorders and the military.

6. Other Alternative Energy. Most likely to involve both product testing (pilot projects) and research associated with the activity. Also has the potential to create administrative office related activity in the Village.

Invasive Species

There are numerous invasive species in the area upon which research is currently being conducted and still others are yet to be defined and researched. Just some examples of invasive species currently being studied for eradications or mitigation/control of their impact include:

- Purple loosestrife. (Its thick growth above and below water has displaced many native plants and animals. Nesting places, open swimming areas, and food sources have been visibly reduced in many streams and ponds.)

- Sea lampreys. (St. Mary's River remains the major contributor of sea lamprey infestation to northern Lake Huron where parasitic lamprey account for an annual mortality of many if not the majority of adult lake trout.)

- Zebra and quagga mussels. (Overtaking indigenous species. Some potential benefit to water clarity, but also many costs requiring control if not eradication.)

- Greenside darter. (Research into DNA markings underway to differentiate species.)

- Emerald Ash Borer. The borer is known to affect white, black and green ash trees and some varieties of horticultural ash. Emerald Ash Borer infestations are fatal. Ash trees begin to die within 3-5 years of infestation.

Natural Resources

There is substantial work done on many of the natural resources found in the Mackinaw City area. Purposes of the research include: elimination of disease in plant and animal species; genetic manipulation and cross-breeding of species to produce species less prone to certain diseases; tracking relationships between diseases in cows and other animals that can be transmitted to humans and those transmitted among deer (Bovine TB for example); and generating new energy from non-oil and natural gas sources. Included among many areas of research is research into:

- Bovine TB in deer. Found in white-tailed deer, elk, black bear, bobcat, coyote, opossum, raccoon and red fox

- Transgenics. Transgenic technologies are used for improving milk production and the meat in farm animals as well as for creating models of human diseases and enhancing the ability of vegetation to fight diseases that decimate populations. South Korean scientists have developed a technology which they claim will open the door to the mass production of biomedical materials, including a cancer-fighting enzyme, in a couple of years.

Environmental Clean-up

There are many man made contaminants that have impacted and will continue to impact the environment. Increasing concern is for emerging areas, from the development perspective, that are situated along water bodies. Research in the area continues to be substantial with funding available through government and private corporate interests. One area of concern remains:

- PCB Contaminants. The St. Mary's River is a 112 km connecting channel between Lakes Superior and Huron. The Area of Concern extends from the head of the river at Whitefish Bay (Point Iroquois - Gros Cap), downstream through the St. Joseph Channel to Humburg Point on the Ontario side, and to the straits of Detour on the Michigan side.

A second example is:

- Fish Tumors and other deformities or reproductive problems. The prevalence of hepatic neoplasms in excess of 5% should be interpreted as an indicator of environmental degradation. White suckers sampled from the St. Mary's River (1985-1990) exhibited tumor prevalence in excess of 9% (n=185). It is likely that hepatic cancers are associated with exposure to chemical contaminants, such as PAHs in contaminated sediments. Liver cancers have also been identified in brown bullheads from Munuscong Bay.

Biomass

Alternative energy could be a major focus for Mackinaw City for a variety of reasons. Mackinaw has already moved in the direction by facilitating wind turbines in the area. Many other opportunities exist. One of the major opportunities, because of the location having an abundance of natural “raw materials”, is that associated with bio-mass and related bio-fuels. The Mackinaw City opportunities for research and product development include but are not limited to:

- Recycled wood waste. Pellet fuel is a renewable, clean-burning and cost stable home heating alternative currently used throughout North America.

- Virgin forest biomass. It is estimated that 190 million acres of federal forests and rangelands face very high catastrophic risks of fire and that this program can play a major role in minimizing these hazards while simultaneously improving the growth and harvesting of woody biomass.

- Forest Floor Collective Biomass. The effects of partial and clear-cut harvesting on forest floor physical, chemical, and biological properties, forest floor mesofauna, and nutrient cycling were investigated in conifer- and deciduous-dominated stands (of Alberta's) mixed wood boreal forest.

- Bio-Fuels, including switchgrass and blue-green algae of the Great Lakes. Pelletized switchgrass is being used in pellet stoves for general home heating in some rural areas, and has great potential as a clean-burning alternative to coal or imported fossil fuels. Organic materials such as grasses, weeds and other quick-growing plants can be converted into electricity or clean-burning fuels in an environmentally-friendly and sustainable way. The more efficient a particular plant is at converting that solar energy into chemical energy, the better it is from a bio-fuels perspective. Among the most photosynthetically efficient plants are various types of algaes.

Animal Cognition & Hearing

Studies of animal cognition have provided a comparative and ecological perspective on issues of the mind and intelligence. Other studies have shown how sensory functions and levels of cognition can depend critically on early experience. Through research with animals, the scientific community has learned about adaptation to change, including evolution, development, and all types of learning. The research has identified important connections between stress and disease and has suggested psychological interventions for coping with stress more effectively. The importance of this activity is growing as population dynamics in this country undergoes changes resulting in increasing numbers of people with Dementia and Alzheimer's. The military is also extremely interested in research in this arena. Recent research includes topics such as:

- Numerical competence in squirrel monkeys.
- Sun compass orientation in food storing birds.
- Effects of early learning on adult mate choice.
- Spatial orientation in pigeons.
- Predator recognition in birds.
- Timing in bumblebees.
- Photoperiodic control of bird behavior.
- Episodic memory in rats.

Some of the entities upon which research has focused or is now focused include:

- Blue jays. Jays demonstrate cache and cache recovery behavior. More than two decades ago, they saw the potential in the fact that seed-caching birds are self-motivated to return to inconspicuous points in the landscape to retrieve hidden food, and they began to employ the cache-recovery paradigm as a model system for studying learning, memory, and "spatial information processing". This has led to enormous advances in the understanding of spatial learning in birds.

- Bats. Echolocation is a sense with which humans have difficulty understanding. An animal echolocates by sending out pulses of sound and listening to the echoes that return. The echoes contain clues to what is out there in the environment. Research into echolocation has already yielded practical benefits. For example, sonar is a primitive form of echolocation.

- Chickadees. The tiny bird can alert its flock to how dangerous a predator is by upping the length of its calls. The diminutive black-capped chickadee sings one of the animal kingdom's most intricate alarm calls, a new study reveals.

- Sparrows. Sparrows can piece together a complete song by only hearing parts of it. The findings could help researchers establish how memory works in humans.

- Squirrels. Ground squirrels emit an ultrasound squeal to warn other animals that a predator is approaching. Bats and toothed whales are already known to use ultrasound for echolocation, but little is known about ultrasound communication in the rest of the animal kingdom. Some rodents, including rats and hamsters, emit ultrasound calls, but it is not sure what they mean.

- Butterflies. Butterflies may seem to be silent, but new research reveals that many species of these insects actively communicate with one another using a "Morse Code" type of clicks.

- Zebrafish. May hold key to understanding human nerve cell development. (While not indigenous to the area, could be studied anywhere.)

- Plainfin Midshipman Fish. Researchers have found that a humming fish has evolved a way to avoid deafening itself with its own noise. They say the same mechanism could be at work in other animals, including humans, helping to tone down the senses and avoid overpowering them with self-generated signals.

Other Alternative Energy Possibilities

As previously defined, a potential strong area upon which Mackinaw City can focus is alternative energy. In addition to the biomass and bio-fuel noted, there are other potential areas including:

- Wind. Wind is a renewable resource, unlike fossil fuels. Mackinaw City has already installed two wind turbines for production of energy, thus embracing this alternative energy form.

- Fuel cells. Fuels cells, fueled by a variety of products, are, much like wind power, old technologies that are being re-evaluated and explored as clean, reliable on-site energy technologies. The primary utility companies in Michigan have been associated with some of the premier stationary fuel cell development activity in the entire country.

Interests & Sponsorships

The following is a partial list of entities that are involved with research & Development in areas and activities identified as opportunities for Mackinaw City. It is noted that they include:

- ✓ Some of the largest corporate entities in the world.
- ✓ Small start-up operations that may not survive if the research is not successful, could be bought out by another or larger entity, or may merge with another entity in the foreseeable future.
- ✓ Universities operating elsewhere in the country or internationally.
- ✓ Non-profit associations and consortiums.

Further and detailed information on the research activity and these entities are found in the appendix to this document.

- A&L Agricultural Laboratories, Inc.
- American Tank & Equipment, Inc.
- Banko Manufacturing Company
- Bill Hunt Company
- Greenleaf Technologies
- John Blue Company
- Kennco Manufacturing.
- KZCO, Inc.
- Clariant International (Germany)
- H & S Chemical
- Bayer
- Sherwin
- Great lakes Genetic Laboratory
- US Department of Agriculture (USDA)
- The Foundation for Research, Science and Technology (FRST)
- ImmunoVaccine Technologies
- Cooperative Aquatic Animal Health Research Program of LSU
- Centre for Environment, Fisheries & Aquaculture Science (Cefas)
- Polyflon Company
- Canano Technologies (Canada)
- BASF
- Dow
- DuPont
- Eli Lilly
- GlaxoSmithKline
- IBM
- The NOAA Great Lakes Environmental Research Laboratory (GLERL)
- Biomass Energy Research Association
- Dell-Point Inc.
- Harman Stoves Work
- Aladdin Industries
- Rose Lake Plant Materials Center
- The Office of Fuels Development (D of E)
- Changing World Technologies
- TranXenoGen
- University of Nebraska
- The Animal Cognition Research Group at the University of Western Ontario
- The Organization for Bat Conservation
- University of Utah

Implications & Suggestions

Throughout the analysis components there are a number of noted implications that are put forth. Most of these relate to specific suggestions that impact economic restructuring for Mackinaw City. These range from those associated with business retention, to those related to growth through expanding the tourism season, to development that fosters Mackinaw City as a regional center for the tri-county area, to further fostering alternative energy activity, to the establishment and recruitment of new economic activity that could flourish and preserve the area's natural resources and quality of life. These findings, implications and suggestions become the cornerstone of the strategy for economic restructuring.

There are several business "retention" related opportunities that were identified through the business survey. These are:

- ✓ An opportunity to **(1) establish an entrepreneurial/apprenticeship program** because of the potential large number of retirees, many of whom have not identified or will not be able to identify someone to operate the business upon retirement.

- ✓ The opportunity to match and **(2) facilitate property/building owners willing to sell with business owners** that are **willing to purchase the properties/buildings**.

- ✓ The opportunity to **(3) facilitate expansion of existing businesses**, stimulating investment.

As previously noted, the latter two are most likely handled by and through the Chamber of Commerce, with the first element handled by and through a cooperative effort of the Village, Chamber, or by the Village and higher education institutions.

Through stakeholder interviews, residential telephone survey, and visitor survey, the potential to expand the season beyond the summer months to create year-round activity was viewed positively, even though some existing operators were skeptical of such an endeavor or did not desire to operate on a year-round basis. The newly opened indoor water park could help to facilitate such an expansion. In addition, **(4) expansion of the season, using natural resources, winter sports, and new activity within Mackinaw City as a base, could be facilitated through**:

A. Expanded marketing.

B. Enhanced linkages to winter activity (packages with outside interests)**.**

C. Creation of additional anchor activity (resort, that would have meeting spaces, and youth oriented attraction "WannadoCity")**.**

D. Expanded residential development.

E. Exploring alternative energy sources and use in facilitating more favorable winter environmental conditions downtown.

In addition and as previously noted, visitors would like to see a greater range and diversity of food services than currently offered, and enhancements to accommodations, coupled with additional activity. Some of the latter may simply mean enhanced marketing and utilization of the area's natural resources. New activity, as it is pursued and developed in the future should be sensitive to minimizing degradation of or preserving those resources.

The telephone survey of area residents indicated that:

- ✓ The large proportion of seniors throughout the area represents a unique market condition.
- ✓ Incomes are relatively high in the general area when compared to certain other parts of Michigan and the country.
- ✓ Disposable income, based on current housing costs, is likely to be relatively higher than in other parts of Michigan as well.
- ✓ There is a significant proportion of the population that does not live in the area year-round. This impacts retail goods and services sales during months when that proportion lives elsewhere. Thus, by definition, there is significant "leakage" of dollars from the residential market to other areas.

In an effort to take advantage of these factors or to mitigate negatives associated with the "leakage" of dollars, Mackinaw City should consider:

5. Expanding the range of housing opportunities for senior citizens. As noted in the "Demand Forecast", the tri-county area is expected to grow significantly in the foreseeable future. While many of the new units are likely to be occupied by empty-nesters on a part-time basis, senior opportunities exist. Those opportunities exist as a result of:

- ✓ The substantial proportion of seniors living in the area at present who will continue to live in the area but may not be able to maintain single-family homes for physical or fiscal reasons in the future and will need alternative housing arrangements;
- ✓ Others who move into the area that will have similar conditions causing a move to non-single family homes;
- ✓ Children or other family members of seniors that will seek housing for seniors nearby their residents; and
- ✓ Those who can discover the quality of life offered in Mackinaw City if informed of it.

The range should be from independent living through at least assisted living. Preferred locations would be in or near available commercial services. This would help to facilitate year-round "foot traffic' for commercial activity.

6. Aggressive pursuit of additional housing in a manner compatible and complementary to maintenance of the area's quality of life. As defined, current residential population in Mackinaw City is very small, but the area will grow. That growth is stimulated by:

- ✓ The significant amount of relatively affordable waterfront property.
- ✓ Continued movement of housing activity along the lakefront, particularly from areas west of Mackinaw City where land values have escalated beyond those in the Mackinaw City area.

- ✓ National and regional growth in the second home market stimulated by a number of significant factors including: continued modest mortgage rates; changes in financing accommodating larger numbers of potential purchasers; the significant number of "baby boomers" that are "empty-nesters"; and the children of "baby boomers".
- ✓ Developable waterfront property is limited nationally and will become increasingly limited.
- ✓ The availability of utilities in Mackinaw City to accommodate growth.
- ✓ Mackinaw City's quality of life, transportation network and other assets.
- ✓ Mackinaw City having achieved a level of critical mass in visitor activity, affording and necessitating the opportunity for the community to "go to the next level".

As previously defined, a minimum of 1,000 new housing units and households will be added to the current housing base in the tri-county area in the foreseeable future. That figure, with less conservative growth assumptions could range from 1,000 to more than 4,000 units. Based on housing trends in Northern Michigan areas to the west of Mackinaw City, new housing would likely involve:

- ✓ Condominium type ownership.
- ✓ Townhouses and multi-story structures along the waterfront.
- ✓ Single-family and duplex homes away from the waterfront.

It is further noted that waterfront housing would likely consist of the majority of units. Assuming the minimum of 1,000 new units, it is anticipated that at least 60% would be waterfront or water view development. Thus, about 600 new units would be accommodated in the tri-county area. Assuming the larger number of units with assumptions supportive of that development, as many as 2,400 new waterfront and water view units would be feasible in the tri-county area in the foreseeable future. As noted above, Mackinaw City has a strategic locational advantage in accommodating a reasonable share of the new housing development and such development would benefit Mackinaw City in numerous ways, boosting the year-round economic opportunities.

Because of the current uncertainties in the housing market with respect to interest rates, financing, escalating costs and land values, and other factors, establishing price ranges for units is not advantageous. However, income "cluster" definition is appropriate. Of the total number of new units anticipated for the tri-county area, ranging from 1,000 to more than 4,000, the following is expected from a market perspective:

- ✓ 20% would be marketable to households with incomes likely to be below $80,000 but above $40,000.
- ✓ 20% would be marketable to households below the above, but with potential assets; the ability to pay cash for the units; or receiving support from others, such as family members. This income cluster would be largely but not totally composed of seniors.
- ✓ 60% with household incomes in excess of $80,000 annually, with most in excess of $120,000 annually.

It is possible that condominium development could also be used as transient accommodations for a resort or like product. Condominiums are often if not the primary means of developing such resorts throughout the country in recent years. The condos are managed by a hotel management company, often associated with one of the major "flag" operators. Such development would facilitate year-round economic activity.

Identified in the “Demand Forecast” was also significant growth in demand for goods and services within the tri-county area. **There is substantial opportunity for Mackinaw City to expand its year-round commercial activity by positioning itself as a hub of the tri-county region.** Doing so would allow for the potential to create:

- ✓ **A community scaled shopping area or center, anchored by or including a supermarket, pharmacy, smaller hardware/home improvement center and vehicle parts and service dealer.**

- ✓ **About 50,000 square feet of office space oriented toward professionals living in the area part and full-time, including but not limited to medical offices.**

In addition, there are **(9) additional food service opportunities, including between 2 and 4 restaurants. Such activity would best serve both a visitor and residential market if situated along the waterfront.**

It is noted that the Village area does not contain less of any types of traditional “industrial activity” or R & D than like communities. However, there are **six appropriate broad areas of Research and Development identified that represent opportunities for Mackinaw City and should be pursued**. These are:

1. **Invasive Species**. Most likely to involve research and continued research than both research and development of products. It is noted that invasive species are a continual and growing problem both upon the land and waterway. Increased international trade is likely to facilitate increasing numbers of species that damage the existing environments in areas.

2. **Natural Resources**. Most likely to involve research into their use for bio-medicine, other related human and animal health activity, and new product development.

3. **Biomass**. Most likely involves product development opportunities but also includes research. The product development opportunities often are associated with environmental enhancement or mitigation of current conditions, including lessening of dependence on oil and related products.

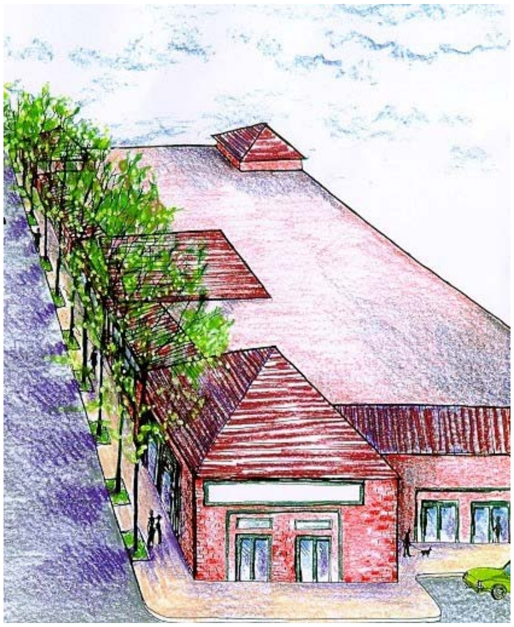
4. **PCB and Other clean-up**. Most likely to involve business development activity based on previously conducted research.

5. **Animal cognition**. Most likely to involve new and continued research and not product development for assistance with hearing and human disease using assorted species that have shown promise in assisting with Dementia, Alzheimer’s, hearing disorders and the military.

6. **Other Alternative Energy**. Most likely to involve both product testing (pilot projects) and research associated with the activity. Also has the potential to create administrative office related activity in the Village.

(9) The development of a consistent business recruitment process and the **(10) creation of incubator space** would be beneficial in achieving a presence in the R & D market. The former is necessary and the latter is desirable. The latter would potentially include:

- ✓ 10 spaces for labs or related activity with direct linkage to additional office spaces of about 1,500 square feet each.



- ✓ Have a shared conference room and reception area, consisting of about 1,250 square feet.

- ✓ Outdoor areas that can be isolated from each other.

In addition, there is a dichotomy of households in the area. Expanded economic activity through additional household income generation is an important tool and would be the focus of a **(11) potential push to establish the area as a "mecca" for home-based businesses serving larger markets through technology**. This would be particularly beneficial for area residents who:

- ✓ have difficulty finding year-round employment activity,

- ✓ live in the area year-round, and

- ✓ work in service sector jobs

While the appendix to this analysis includes potential home-based activity, **one unique avenue within the home based context that can effectively be promoted through cooperative marketing efforts is in the artist and crafts arena.** It is recognized that there have been previous attempts at this latter effort. Those attempts were less than successful because of some basic premises behind the efforts that were possibly erroneous. Further discussion on both follow in "Implementation".

Implementation

The following strategy is comprehensive. While many of the program elements are not completely mutually exclusive, certain elements are independent and can be implemented whether or not the other pieces or total program is pursued. The items are identified in the order in which they were identified in the "implications & Suggestions" and are not listed in terms of priorities. Where the lead entity would or should not be the Village or its EDC, the entities that should coordinate an individual component are listed.

To reiterate, the program focuses upon 11 strategic opportunity areas. As identified in the "Implications and Suggestions", these are:

- ✓ Establishment of an entrepreneurial/apprenticeship program.
- ✓ Facilitation of the sale of property from willing property/building owners to business owners that are willing to purchase the properties/buildings.
- ✓ Facilitation of the expansion of existing businesses.
- ✓ Expansion of the season, using natural resources, winter sports, and new activity within Mackinaw City as a base.
- ✓ Expansion of the range of housing opportunities for senior citizens.
- ✓ Aggressive pursuit of additional housing in a manner compatible and complementary to maintenance of the areas quality of life.
- ✓ Expansion of year-round commercial activity by positioning the Village as a hub of the tri-county region.
- ✓ Pursuit of six appropriate identified broad areas of Research and Development.
- ✓ Development of a consistent business recruitment process.
- ✓ Creation of incubator space.
- ✓ Establishment of the area as a "mecca" for home-based businesses serving larger markets through technology.

The text which follows provides additional information. Unless noted as such, it does not attempt to repeat the information conveyed in the "Implications & Suggestions".

1. An Entrepreneurial/Apprenticeship Program.

(**1A) Recruitment of "new ownership" can be effectuated through community's colleges, vocational and technical schools, and other colleges throughout Michigan or even a larger multi-state area.** Through the institutions, students can be identified with potentially successful entrepreneurship profiles. Relationships with the institutions should be established on a one-to-one basis. **(1B) Current owners can also identify current employees with potential.** The **(1C) "training" process** would include:

- ✓ **Certain required business curricula courses.**

- ✓ **An internship with introduction and at least part-time work while attending school or training.**

- ✓ **An apprenticeship of 1 to 3 years working and learning in the business.**

- ✓ **Purchase, with previous ownership staying on for 1 to 2 years.**

Business scholarships to attend and graduate with business management, specific industry skills, or entrepreneurship skills could be arranged through cooperative partnerships to sponsor the student apprenticeships, assist with financial planning, and procure resources for the purchase and financing of businesses.

2. Facilitation of Sale from Willing Property to Willing Business Owner

Facilitation of the sale of property from a willing property/building owner to a business operator within the building has a significant benefit to Mackinaw City. Importantly, it helps to maintain a diverse ownership base and likely enhances the prospect of the maintenance of independent business operations. Based on the expressed attitudes of the business community identified in the survey, **(2A) the interaction should be coordinated by the Chamber of Commerce** and not what might be perceived as a government entity.

It is not necessary for the Chamber to be involved with negotiations, just assist with fostering the dialogue through consistent contact through the negotiation process. **(2B) The activity involves:**

- ✓ **Contacting both parties.**

- ✓ **Coordinating an initial discussion or meeting.**

- ✓ **Expressing interest.**

- ✓ **Follow up with assistance as needed, but at least maintaining contact with both parties.**

- ✓ **"Trouble shooting" as needed.**

3. Facilitation of the Expansion of Existing Businesses

(3A) Facilitating the expansion of existing businesses differs little from the above. However and in addition to the above, **the (3B) Chamber should coordinate with the Village to assist with attempts to keep businesses within the Village boundaries**, should a site change be necessary to foster the investment process.

4. Expansion of the Season

As noted, **expansion of the season**, using natural resources, winter sports, and new activity within Mackinaw City as a base, **could be facilitated through**:

A. **(4A) Expanded marketing**. Most resources should continue to be put toward the "tourist season". Hopefully, the changes in the school year, starting after Labor Day, will expand the season in and of itself. However, there are much greater opportunities to expand well into and including the winter months. Additional marketing resources should be spent on promoting "off-season" activity and visitations to the area. The focus should be on "nature" and "health" and "nature" related activity. Quality interstate access makes this extremely possible when coupled with the number and range of nearby activities. It is noted that initial off-season marketing funds are not likely to be made available from the Tourism Board, but from other sources, including the State and local governments. However, **(4B) the process could and should be facilitated through the Visitors' Bureau and staff support should be sought from that entity as well.** The potential rewards, which will take a few years to surface, will likely far outweigh the costs. Should this be the case, additional "room tax" funds, generated during the off-season should be targeted toward this marketing purpose.

B. **(4C) Enhanced linkages to winter activity.** The area has an abundance of nearby fall, winter and spring activities and there are others internally, such as the indoor water park, that could be used to foster expanded off-season tourism. Those mostly outside the Village but often contiguous or nearby, within a reasonable drive, include trails, nature photography opportunities, winter bird and animal observation, skiing, cross country skiing, etc. **(4D) Bus trips could be organized and initiated to strategic activity during the day in much the same manner that in-season visitors leave Mackinaw City and return to stay overnight at present. (4E) Promotional packages could be designed to target a range of activities and lengths of stay and (4F) largely be promoted via the internet.**

C. **(4G) Creation of additional anchor activity.** There are several new anchor opportunities that should be sought. **One is (4H) a resort**, with potential spa and some meeting facilities for year-round activity. The resort concept could take time and potentially morph from **(4I) a "condo/hotel" facility**. The second option is this latter, whether or not it evolves further. This function would likely expand year-round "foot-traffic" and "pioneer" additional such efforts, taking Mackinaw City to the "next level" in the vacation/resort arena.

The third option is to create an additional year-round anchor or activity, other than or in addition to a resort. Mackinaw City envisions itself as a family oriented destination. Within this context, historical oriented educational experiences along with water-based recreation are dominant. The area also takes pride in its enhancements to its education system and the high proportion of college-bound high school students. Thus, it is suggested that a new anchor be developed, **(4J) a family entertainment center**, focused on youth, education and fun experience. **One such opportunity would be to recruit an institution like "WannadoCity"**.

D. **(4K) Expanded residential development.** To assist with generating year-round activity by stimulating year-round foot traffic, additional housing should be pursued, the opportunity for which has been identified. Not only does expanded housing afford for the above enhancement, but it assists in creating additional part and full-time human resources and stimulates or creates the opportunity for all other economic development activity.

E. **(4L) Exploring alternative energy sources and use in facilitating favorable winter environmental conditions downtown.** One of the obstacles with "northern climate" resort areas is pedestrian movement during the winter months. This is particularly true for areas on waterfronts. Mackinaw City is fortunate that it has some advantages over other such areas in that its "lake effects" precipitation levels are relatively low by comparison. **(4M) Enhancing pedestrian activity could come from landscaping improvements that provide better protection from wind**. On the other hand, below surface climate control that prevents freezing via a range of systems, could also improve the opportunity; but is often expensive. Because of this expense, it is suggested that **(4N) Mackinaw City seek a pilot effort to determine feasibility and costs for installation of a system that would be linked to on-site alternative energy production, utilizing either wind, fuel cell, or both technologies.**

5. Expansion of the Range of Housing for Senior Citizens.

The market forces have been previously noted. Like other components they create off-season foot traffic. The process could be facilitated by changes in regulations that follow from the comprehensive planning process now underway. **(5A) Zoning bonuses and waivers should be explored to foster such activity**.

6. Pursuit of Compatible Housing

As noted, aggressive pursuit of additional housing in a manner compatible and complementary to maintenance of the areas quality of life is important to Mackinaw City for a variety of reasons, including creating additional foot traffic off-season. Another is the potential to become a regional hub for commercial activity; while the third, and just as important, is the preservation and enhancement of "political clout" in the two counties in which Mackinaw City is located.

Unlike other suggestions that involve "pursuit" of one or more activities, **(6A) this should focus more on assuring that ordinances do not create hardship**, that **(6B) the development process is smooth**, and that **(6C) attitudes of Boards, etc. indicate the desire to grow, welcoming complementary housing, and facilitating not hindering the review process.** The latter could be implemented immediately, while the first should be addressed in the recently initiated comprehensive planning process and changes to its implementation tools that follow.

7. Positioning the Village as the Hub of the Tri-county Region

Expanding year-round commercial activity by positioning the Village as the hub of the tri-county region would create hundreds of new jobs and provide better nearby services for current and future part and full-time residents of Mackinaw City. As previously defined, Mackinaw City should:

A. Seek the development of a community scaled shopping area or center, anchored by or including a supermarket, pharmacy, smaller hardware/home improvement center and vehicle parts and service dealer.
B. Promote the development of about 50,000 square feet of office space oriented toward professionals practicing in the area part and full-time, including but not limited to medical offices.
C. Seek additional food service opportunities, including between 2 and 4 restaurants.

The latter is most appropriate for downtown. The process involves **(7A) the identification of appropriate sites and (7B) the recruitment of quality development interests to facilitate development.**

8. Pursuit of 6 Defined R & D Broad Areas of Research

As previously defined, there are six appropriate broad areas of Research and Development identified that represent opportunities for Mackinaw City that should be pursued. Entities associated with that research are found in the appendix to this report. It is noted that they fall into generally four categories. These are:

- ✓ Some of the largest international corporations.
- ✓ Smaller start-up operations, some of whom will either be absorbed by other entities, fail to achieve fiscal success, or merge in with entities.
- ✓ Universities from around the globe.
- ✓ Non-profit associations and other entities.

There are two methods and two tools suggested for expanding research and development. (8A) The first method is to directly recruit individual companies through a coordinated, continual process that will be generally described. **(8B) The second method is to form a partnership or consortium that has economic development implications to Mackinaw City beyond R & D because of the incorporation of higher education institutions**.

The following proposal was put together and selected for the following reasons:

- ✓ It helps to form and solidify a partnership between the Federal, State, County, and municipal levels of government, insuring greater contact than now occurs or expanded relationships.

- ✓ It helps to expand higher education opportunities and potentially gives Mackinaw City an additional important new focus and image that could be a distinct advantage.

- ✓ It potentially brings in large corporate interests and dollars.

- ✓ It has staying power, likely to be around for fifteen to twenty years.

- ✓ It is “cutting edge” by definition.

- ✓ It is likely to yield at present and in the future high levels of employment for highly skilled individuals, increasing the potential to enhance “permanent resident” trends.

- ✓ The approach has proven to be successful elsewhere.

It is suggested that Mackinaw City pursue the following consortium associated with “8B”, involving:

- ✓ Focused research into products or product research and development unlikely to yield a private sector return for 15 years. The time frame is important since the time frame is such that no one company is likely to bear the cost on their own.

- ✓ Because of the high costs and time frame, more than one company would likely be needed to share research; state and federal government funding and involvement is likely to be important as is the potential interest of one or more universities.

- ✓ Developing a research facility (incubator) to pursue either a new or speed the development of existing R & D, coordinated through universities or one of the identified non-profit entities.

The focus of attention would be on one or more of the noted or other areas of research. **One or more of the colleges or universities associated with research already in the upper part of Michigan could be the catalytic entity in partnership with the Village.**

Similar research efforts, upon which this is modeled, are being pursued elsewhere, most notably in New York state. In researching the State of New York's successful private, public and educational R & D efforts, partnerships were identified that have produced a confluence of events and knowledge that worked to benefit each other. The initial effort was initiated by Kodak and has since been duplicated and fostered in other locations by the state government in New York. Eastman Kodak, for about the previous 10 years, had been developing technology partnerships with the Federal government as well as some other private corporations to fund and to collaborate on research efforts.

Under the leadership of Corning, Kodak, Xerox and the State of New York, the "Center of Excellence" collaborates with 20 academic institutions, including the University of Rochester, the Rochester Institute of Technology, Monroe Community College, the University at Albany, Rensselaer Polytechnic Institute, Alfred University, Cornell University, Columbia University, NYU, and the City University of New York, to secure New York's leading position in photonics, optics and fiber optics. The use of light to transfer energy and information is making ever-faster and smaller devices possible, with wide applicability from medicine to telecommunications.

9. The Development of a Consistent Business Recruitment Process

As defined above, the first methodology entails the direct recruitment of businesses. Importantly, the establishment of a recruitment process has broader purposes including the recruitment of:

- ✓ Research entities.
- ✓ Commercial entities.
- ✓ Housing developers.
- ✓ Commercial developers.
- ✓ Artisans and craftspeople.
- ✓ New year-round anchor activity.

Thus, much of the success with the proposed economic activity is dependent upon recruitment of the specific niche activity, whether that includes the to be noted home businesses, Research and Development, new retail, etc. The following are the "advance steps" for establishing a successful recruitment effort.

- ✓ **(9A) Decide who will administer and provide staff support for the recruitment effort in general**.

- ✓ **(9B) Develop marketing materials oriented toward the types of entities to be solicited.** (R & D differs in emphasis from home based or retail entities.) (Materials should be flexible, alterable, and reproducible by the Village.)
- ✓ **(9C) Obtain the ability to reproduce the materials on demand internally.** (Acquire color laser printing capabilities if not available.)
- ✓ **(9D) Develop lists of those to be solicited.** (List provided for R & D activity as well as potential targeted home-based operations.)
- ✓ **(9F) Develop a set schedule for phasing of the recruitment process so that the work load is distributed over time.**
- ✓ **(9G) Establish a funding mechanism to insure that the effort is continual**.

The marketing activity associated with recruitment would include:

- ✓ **(9H) Distribution of developed materials** via direct mail, advertising in select professional journals if affordable, internet contact, and "cold call" door knocking for restaurant and other select interests.
- ✓ **(9I) Follow-up contact** via telephone and internet and site visits to answer questions, gauge interest, etc.
- ✓ **(9J)** In the case of retailers, **establish relationship with landlord, or property owner, or other appropriate party.**
- ✓ **(9K)** In the case of developers, **preparation of Request for Qualifications and Proposals, review and evaluation of the responses, and establishment of the relationship (such as between the development interest and the Village, or the developer and private property owner).**
- ✓ **(9L) Continue follow-up, acting as an "ombudsman"** for the process.

(9M) As one of the two tools, it is suggested that the formation of an Economic Development Capital Fund be explored for this use as well as other economic development activity. An Economic Development Capital Fund would be identical to any traditional "mutual fund," with a few critical exceptions. The fund would be established by and as part of any traditional brokerage. Money is invested, not "given" to the fund. It can be removed by the individual investors. However, unlike other funds, a proportion of the earned income is "given" to a designated 501(c)(3) organization that would invest the money in economic development activity. The investor would get an annual tax deduction for the contribution as well as the return on the remainder not given to the tax-exempt entity.

While the direct funds reinvested would be lower than in a traditional fund, the total "return" is only marginally different because of the accrued tax benefit.

The new resources could be used for a variety of purposes, including but not limited to any and all that follow:

- ✓ Direct capital expenditures for infrastructure and buildings.
- ✓ Marketing or recruitment activity.

10. Creation of Incubator Space

The second tool would be the creation of incubator space or an incubator. The associated needs as previously defined include:

- ✓ 10 spaces for labs or related activity with direct linkage to additional office spaces of about 1,500 square feet.
- ✓ Have a shared conference room and reception area, consisting of about 1,250 square feet.
- ✓ Outdoor areas that can be isolated from each other.

It could be limited to R & D activity or include other professional activity as well.

11. Establishment of Home Based Business Activity

An important tool and would be a potential push to establish the area as a “mecca” for home-based businesses serving larger markets through technology. The Small Business Administration shows that only 44% of all business start-ups are still running after five years. Yet, the survival rate of home business launches is 57% after five years. With home-business franchises, the survival rate is over 95%.

The purpose for attracting home-based businesses is to afford the opportunity to increase incomes for the current retail and service work force, provide for reasonable transition of existing aging ownership, provide economic activity for new residents of the area, and experience a year-round business base, with the latter helping to replace the visitor-based seasonal peaks and valleys that exist today. This year-round activity will nurture well-being, extending to all facets of the community.

It is noted that:

- ✓ The wide range of home-based businesses that are included provide for all demographic options, including part and full-time incomes, those requiring minimal experience and education, and those geared specifically for early-retired professionals.

- ✓ In many instances early-retired professionals will be starting second careers that provide income and continue their participation in the business arena. The income will be in addition to pensions, investments and other retirement planning devices received from their previous careers. Thus, these are secondary incomes, not necessarily at levels that totally support the home and lifestyle.

- ✓ Those businesses providing a smaller income will be well suited to the many younger residents that perhaps are looking to make a change from their tourism oriented jobs to a business they can develop and build on their own, or as a second or tertiary incomes in a household.

- ✓ Since this activity exclusively involves home-based businesses, there is no need for additional buildings or facilities. In the review, any business requiring materials or product storage, multiple vehicles or any other type of “new structure” was rejected to meet this requirement. On the other hand, **(11A) the Village must insure that its development regulations and zoning not just allow but support and facilitate appropriate home-based activity.**

- ✓ The businesses selected are also sensitive to the environment. None were recommended that have any significant amounts of waste, toxins, or high degrees of chemicals. The preponderance are business, professional and office services.

- ✓ **(11B) Each of the businesses should or are likely to be required to obtain an occupational license and pay business taxes.**

- ✓ Many of the businesses are able to perform services for clients in other counties across the country, or potentially internationally. Therefore, while the Mackinaw City area may have a marginal demand for the services offered, there is still demand for the operations. These "distance" businesses are often dependent upon the computer and reasonable communication technologies. Some may require travel, but none on a daily or even weekly basis. Should the business require travel, air linkage through Pellston is available.

- ✓ **(11C) An aggressive marketing campaign should occur to announce and educate potential home-business owners of the advantages to living and working in Mackinaw City.** This can be a managed campaign, structured over time to include, but not be limited to:

    1. **(11D) Partnering with Realtor Groups**.
    2. **(11 E) Attendance at Michigan Franchise Shows**.
    3. **(11F) Awareness Advertising throughout the State of Michigan**.
    4. **(11G) Public Relations news releases** announcing the (a) recruitment and promotional campaigns, (b) population changes as they occur, and (c) resulting successes.

The numerous businesses detailed in the tables found in the appendix are an amalgam of three primary sources. These were specifically culled from a wide availability of publications, on-line directories, associations and organizations, government departments and independent consultants. They provided the most thorough appraisals, with carefully structured and measured evaluations of the pros, cons and expectations for the businesses' success.

Different sources used different criteria important to Mackinaw City. For example, in the first source, the businesses selected all exhibit a successful at-home track record that provides a steady, full-time income, and have a reasonable ease of entry (no specific college degree is required), a low or modest start-up cost, and high job projections from the Bureau of Labor Statistics.

Those selected for inclusion with in the second source met the following criteria:

- ✓ Can be operated as a home-based business.
- ✓ Relatively inexpensive franchise fee and start-up costs.
- ✓ Type of business with a strong future.
- ✓ Well established with many franchises sold.
- ✓ Long business history as a business and a franchise.
- ✓ Available in a broad geographic area.

From the third source, the criteria used to select these businesses included:

- ✓ Providing a reasonable income for the time investment.
- ✓ Easy to start, not requiring special academic degrees.
- ✓ Variety, a diverse selection of interests, businesses and services.

There are basically three types of home-based operations defined in this text. These are franchises, "business opportunities" and "network marketing" companies.

Franchises provide a business system, concept and product line that is "tried and tested". The significant difference between a franchise and 'business opportunity" is the disclosure law designed to protect the franchisee from false claims. In order for a company to operate as a franchise, the company must disclose its business practices. Under the franchise regulations, the company is restricted from making claims as to the financial benefits a franchisee will receive. The Federal Trade Commission (FTC) is the federal agency that has jurisdiction over the franchise industry and regulates the selling and managing rules. The FTC requires each franchise to give The Uniform Franchise Offering Circular (UFOC) to each potential franchisee. The UFOC contains the financial information on the company, the financial information on the officers, disclosure on any legal actions, a current franchisee listing, and those that have left the system within the past 12 months.

By comparison, "business opportunities" and "network marketing" companies are under no obligations or restrictions as to what they can claim about potential earnings. "Business opportunity' has come to mean an entity that sells a business concept but is not a full-fledged franchise.

(11H) One unique niche within the home based context that can effectively be promoted through cooperative marketing efforts is in the artist and crafts arena. It is noted that this niche was pursued unsuccessfully at an earlier time. One of the primary reasons for the previous failure was that:

- ✓ The primary means of marketing was to and through local retail operations.
- ✓ "Mass production" of one product (large quantities of individual product were sought by their retailer to insure supply.
- ✓ The artisan could not meet nor had any desire to meet the "demand" associated with mass production of limited items.

Pursuit of this niche would flourish if:

- ✓ **(11I) Marketing were cooperative and collective among the artisans, with and through one entity** (existing or to be established).

- ✓ **(11J) Marketed via the internet and catalogue** (the latter existing or formed).

- ✓ **(11K) Each item not mass marketed, but limited in numbers as a "collectible".**

- ✓ **(11L) Signed and numbered by the artisan** when and if appropriate.

12. Other Critical Suggestions

The following are additional suggested implementation program elements that will assist with creating sustainable economic activity for Mackinaw City.

(**12A) Technology availability. Free WiFi throughout downtown and potentially the entire Village should be pursued.** The Village should push for linkages to Broadband activity as soon as possible.

(12B) Focus on positives. Based on the various survey findings, there are not many negatives expressed by the area's patron base. The business community leadership should focus more on positives than negatives.

(12C) Increased promotion of non-water outdoor activity. Whether hiking and biking, renewed sense of the historical setting, and other land based outdoor activity, additional marketing and focus should be on these other assets.

(12D) Enhanced dialogue, communication and avoid duplication of efforts between Village, Tourism Board, and Chamber of Commerce should be sought. It is suggested that there be a regular "information exchange" meeting of staff and potentially leadership of the government and the two other entities that now play or can play a significant on-going role in the economic development process.