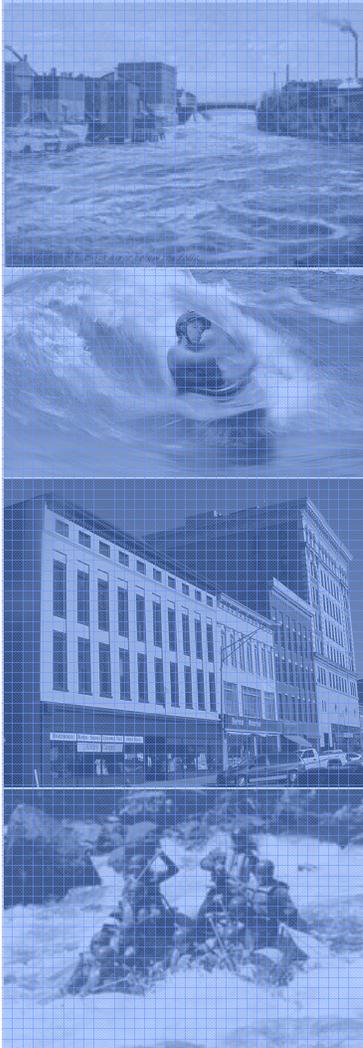


**camoin associates**  
ECONOMIC DEVELOPMENT

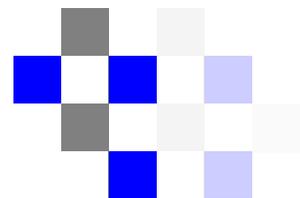


## **ECONOMIC & MARKET CONDITION ANALYSIS**

### **Local Waterfront Revitalization Program City of Watertown**

**May 2006**

**This document was prepared for the New York State  
Department of State with funds provided from the  
Quality Communities Program**



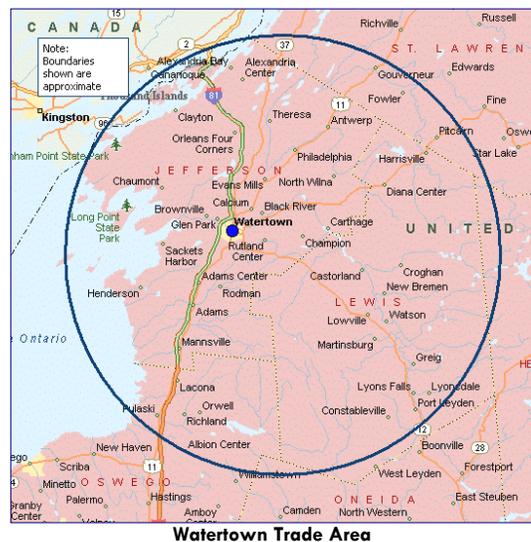
## EXECUTIVE SUMMARY

### ECONOMIC AND MARKET CONDITION ANALYSIS

The objective of this study was to identify current demographic, economic, and real estate market conditions and commercial development opportunities, particularly in downtown Watertown and along the Black River in the City of Watertown. Camoin Associates compiled and analyzed data on demographic, economic and market indicators, including US Census Bureau information, data from proprietary sources, results of a downtown business survey, findings from focus group meetings and information gathered from existing reports and studies.

#### Study Area

Camoin Associates worked with the City of Watertown to define a study area (hereinafter called the “Watertown Trade Area”) that describes the geographic area from which the community draws the majority of its customers. Shown at right, the Watertown Trade Area includes Jefferson and Lewis Counties, Pulaski and Sandy Creek in northern Oswego County, and Gouverneur in St. Lawrence County. The trade area extends as much as an hour’s drivetime from the City of Watertown. Previous studies of the market have confirmed the propensity of consumers to drive such distances in this relatively sparsely populated region for shopping and dining.



Market Area Population			
	2000	2005 (est.)	Average Annual Change
City of Watertown	26,705	29,410 <sup>1</sup>	1.95%
Jefferson County	111,738	116,384	0.81%
<b>Watertown Trade Area</b>	<b>155,787</b>	<b>164,048</b>	<b>1.03%</b>
New York State	18,976,457	19,234,323	0.27%

As shown in the table to the left, the population of the Watertown Trade Area has grown substantially in the last five years. Its growth rate was over three times the average annual rate of growth for New York State as a whole.

<sup>1</sup> Source: “Town Growth Requires Services,” Watertown Daily Times, April 4, 2006.

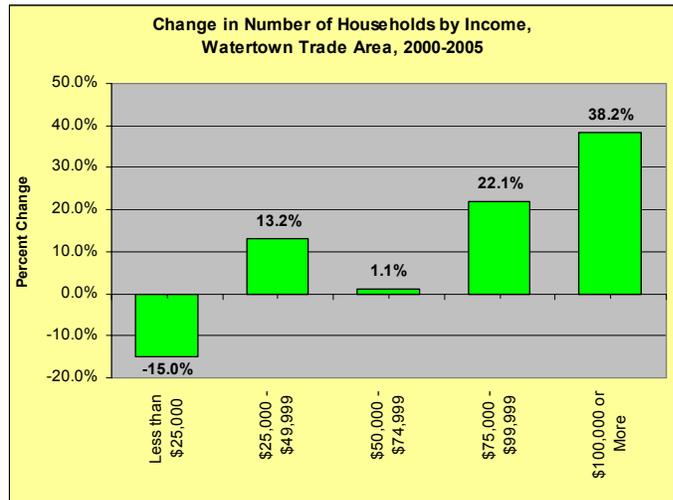
The Watertown Trade Area’s median household income has risen steadily from 1990-2005 from \$25,717 to \$36,318, which represents an annual average change (compounded) of 2.33%. This is roughly equivalent to the trends observed in New York State as a whole.

Market Area Median Household Income				
Market Area	1990	2000	2005 (est.)	Annual Change 1990-2005
City of Watertown	\$22,764	\$28,585	n/a	n/a
Watertown Trade Area	\$25,717	\$33,998	\$36,318	2.33%
New York State	\$32,965	\$43,689	\$47,388	2.45%

Source: U.S. Census Bureau, Claritas Data Services, and Camoin Associates.

More interesting, however, is that many of the new households added since 2000 have been in the upper income ranges. As shown in the table and graph below, the largest positive change in number of households occurred in the \$75,000-\$99,999 and \$100,000+ income per household brackets. At the same time, the number of households earning less than \$25,000 dropped significantly.

Distribution of Households by Income Watertown Trade Area				
	2005		Change 2000-2005	
	Number	Percent	Number	Percent
Less than \$25,000	15,307	27.2%	-2,711	-15.0%
\$25,000 - \$49,999	20,312	36.2%	2,374	13.2%
\$50,000 - \$74,999	10,054	17.9%	107	1.1%
\$75,000 - \$99,999	5,635	10.0%	1,018	22.1%
\$100,000 or More	4,868	8.7%	1,345	38.2%
<b>All Households</b>	<b>56,176</b>	<b>100.0%</b>	<b>2,133</b>	<b>3.9%</b>



In addition to the trends described above, the growing Fort Drum market is a bright spot for the Watertown Trade Area. Previous studies have indicated that the Fort has a high proportion of young, growing families with dual incomes. Fort Drum also comprises a significant portion of the region’s minority population, offering another potential opportunity for area businesses. The assignment of a third brigade to the 10<sup>th</sup> Mountain Division represents a projected increase of nearly 10,000 people and \$208.4 million in aggregate income in the trade area. It is anticipated that many of the new troops who have relocated to Fort Drum will reside in Watertown, since it is among the communities where government money has been allocated to address the region’s housing shortage. The City of Watertown is also likely to benefit from the higher income levels and increased demand for goods and services among military personnel and their families.

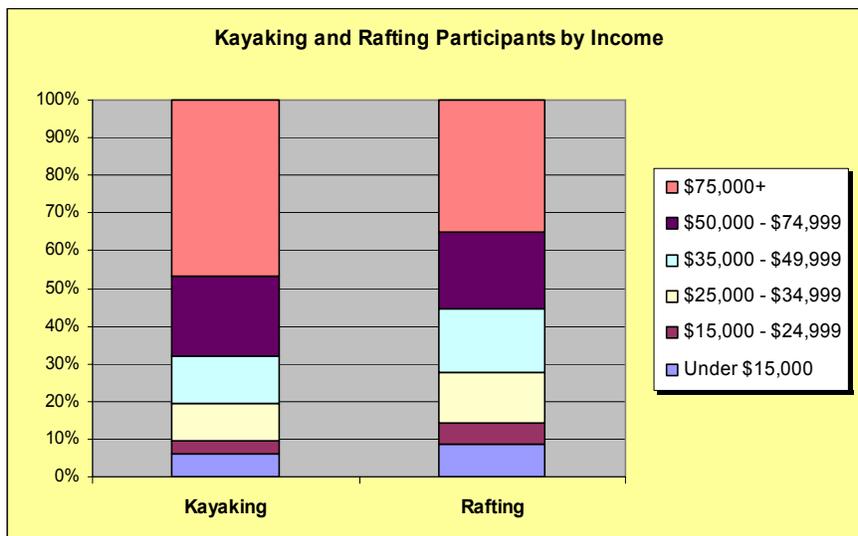
**Visitor Market**

Camoin Associates analyzed the Watertown Trade Area and specifically the City of Watertown tourism market, examining information on visitor origins, interests, and demographic characteristics from a variety of sources. The purpose of this analysis was to better understand the impact of tourism and identify potential opportunities for Watertown to capitalize on business from visitors to Watertown and the 1000 Islands Region.

The major draw for tourism to Watertown is clearly the amenities of the Black River, with canoeing, rafting and kayaking being the principal activities sought by visitors. However, individuals that are attracted by such opportunities also tend to participate heavily in other types of outdoor activities, as shown in the table at right. These “crossover” activities include swimming, camping, hiking, walking, bicycling, fishing and running. Cultivating these sports activities represent an opportunity for the City of Watertown to promote both a longer stay and a higher frequency of visitation by those that already come to the City, as well as an opportunity to appeal to a larger audience of potential visitors.

Participation in Other Sports Activities			
	Canoeing Participants	Kayaking Participants	Rafting Participants
Canoeing	100.0%	33.5%	29.4%
Swimming (Recreational)	76.2%	70.7%	75.3%
Camping (Tent)	55.6%	46.3%	60.3%
Hiking (Day)	53.2%	51.2%	49.4%
Walking	52.9%	56.7%	52.2%
Bicycling (Road)	49.7%	54.0%	49.7%
Fishing (Freshwater)	43.6%	28.9%	35.8%
Strength Training	36.6%	53.2%	49.6%
Running/Jogging	28.5%	34.1%	34.1%
Horseback Riding	24.5%	17.6%	28.7%
Kayaking	18.2%	100.0%	18.6%
Mountain Biking	14.4%	17.4%	21.6%
Hiking (Overnight)	13.6%	16.0%	20.1%
Rafting	11.5%	13.4%	100.0%

Source: SGMA International and Camoin Associates.



Furthermore, it appears that rafting and especially kayaking enthusiasts have high levels of disposable income, as shown at left, which makes them an especially attractive target market.

Watertown represents an important portion of the overall visitor market in Jefferson County due to its cultural attractions, visitor amenities, and recreational opportunities available on the Black River.

Due to the rise in popularity of kayaking in the U.S. and the opportunities on the Black River, it is important for the City to capitalize on this growing market. The **vast majority of growth in kayaking is in “flatwater” kayaking** rather than the competitive “whitewater” kayaking. This suggests that the increase in activity of this sport is primarily from amateurs and families. Furthermore, data on kayakers suggests the need for local outfitters to offer rentals and instruction, and for the City to provide other outdoor recreational opportunities. Studies show that both kayakers and rafters tend to have low risk preferences and participate no more than three times per year. Therefore, it is **critical to market kayaking and rafting as a family oriented activity with negligible risk**, and to improve the Black River for these more casual users rather than focusing only on competitive users. This strategy may help in attracting the growing number of military families with children in Watertown.

### Retail Growth Opportunities

To understand what opportunities might exist in the Watertown Trade Area for new retail growth, Camoin Associates conducted a sales leakage analysis.<sup>2</sup> In the trade area, sales leakage is highest for:

- **Radio, TV, and computer** stores (\$33.0 million in leakage);
- **Apparel** stores (\$7.4 million);
- **Furniture and home furnishings** stores (\$4.0 million);
- **Jewelry** stores (\$3.5 million);
- **Camera** stores (\$3.3 million); and
- **Food stores** other than grocery<sup>3</sup> (\$2.8 million).

Recapturing a portion of the sales leakage represents a potential opportunity for additional establishments as well as associated tax revenues in Watertown.

In addition to the above findings from the sales leakage analysis, the following opportunities were identified in the context of focus group sessions with business owners:

- **Ethnic foods:** With the large minority population at Fort Drum, there is a need for food stores and/or restaurants offering ethnic foods, such as Mexican. Military personnel often come from urban areas where it is much easier to find these types of goods.
- **High-quality clothing** suitable for work: The malls in the Watertown area have a limited selection of quality clothing, so many residents shop online or travel to Syracuse and other areas to find what they want. Downtown could use more apparel stores to develop critical mass and a greater breadth of selection.

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<sup>2</sup> The demand for goods and services that is not being met locally is referred to as *sales leakage*. The leakage occurs because consumers make purchases at establishments outside the area or even outside the state via mail order and Internet sales. Sales leakage is calculated as the difference between the total retail spending of area residents, regardless of where the money is spent, and the total retail purchases made within the trade area.

<sup>3</sup> Non-grocery food stores include fish markets, bakeries, butcher shops, produce markets, candy stores, health food stores, etc.

- **Fine dining** restaurants: Higher-end restaurants in Watertown are doing very well, but few of these restaurants are downtown.

### Other Findings and Recommendations

As a last step in the Economic and Market Condition Analysis, Camoin Associates reviewed all the data collected in the course of the study and synthesized a number of additional findings, shown below:

- There is a considerable seasonal population in the trade area, with 6,000 seasonal homes on the tax rolls in Jefferson County alone. **Seasonal residents represent an important target market**, as they tend to have above-average income levels and spend more than the average year-round resident on specialty retail, dining, and entertainment.
- As a special segment of the trade area market, the Fort Drum market is generally characterized as young, ethnically diverse, and well-educated. The majority of households living on-base include children under age 18. It may be worthwhile for the City to **commission a survey of soldiers and their families to get a better understanding of their consumer spending patterns**, entertainment preferences, and lifestyle behaviors, as this information is not available through standard demographic data sources.
- The Black River clearly provides an opportunity for the City of Watertown to capitalize on the already strong market for water-based recreation in the region. Various studies suggest, however, that **riverfront festivals offering a mix of activities tend to be more successful (and lucrative) than competitive events that target “hard core” kayakers**. According to outfitters and guides in the Watertown area, most participants in canoeing, kayaking, and rafting tours are “entry level” or casual users with interest in a range of recreational pursuits. We recommend that the City **focus on ways to lower barriers to river use** by, for example, making it easier to rent bikes and kayaks, offering instruction to beginners, and/or providing transportation between launch sites and convenient “rendezvous points” located near downtown restaurants and stores.
- The City of Watertown has established itself as a destination for shopping which may present an opportunity for spin-off economic activity, particularly in the downtown business district. A customer intercept study targeting Public Square and adjacent areas was conducted under the aegis of the Center for Community Studies at Jefferson Community College in 2000. **It is recommended that an update of this survey be conducted in 2006 to identify additional amenities that would attract more residents and visitors downtown.**

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## INTRODUCTION

With a grant from the New York State Department of State, Division of Coastal Resources, the City of Watertown contracted with Camoin Associates to complete an economic and market condition analysis in association with a Local Waterfront Revitalization Program (LWRP). The objective of this study was to identify current demographic, economic, and real estate market conditions and commercial development opportunities, particularly in downtown Watertown and along the Black River in the City of Watertown.

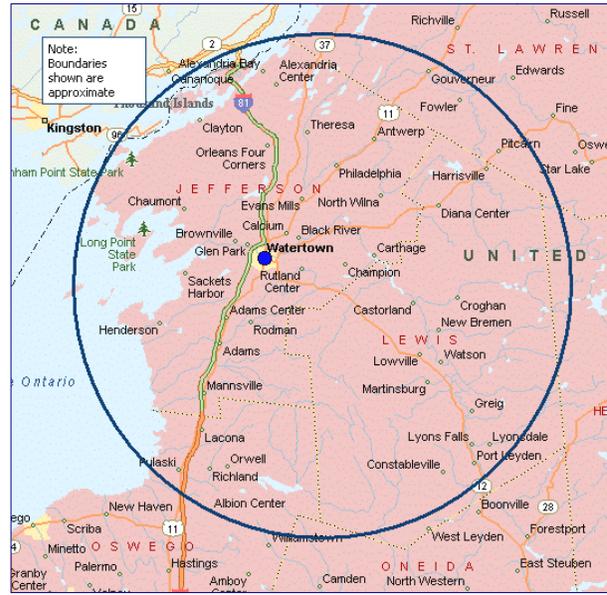
This assessment of the area's market conditions was comprised of the following elements:

- Review of existing planning studies and reports that focus on the City of Watertown and the Black River;
- Compilation and analysis of resident and visitor market demographics;
- Analysis of local and regional economic trends, retail sales, and the amount of sales leakage;
- A focus group discussion with local businesses to discuss potential market opportunities;
- Review of the findings of downtown business and property owner surveys conducted in 2004 by the Center for Community Studies at Jefferson Community College; and
- Interviews with local realtors, property owners, developers, and investors to assess the real estate market.

## 1 THE LOCAL (RESIDENT) MARKET

This section analyzes the demographic and socioeconomic characteristics of residents in the Watertown market. The purpose of this analysis is to understand the demographic trends occurring in and around the City, the spending and lifestyle characteristics of area residents, and the potential impact on opportunities for retail and recreation. The statistical data used in the analysis is derived from the U.S. Census Bureau and Claritas Data Services, a leading national provider of market information.

A trade area represents the geographic area from which the community draws the majority of its customers. Based on discussions with the City of Watertown Planning Director and Downtown Development Specialist, the boundaries of the *Watertown Trade Area* were defined as all of Jefferson and Lewis Counties, Pulaski and Sandy Creek in northern Oswego County, and Gouverneur in St. Lawrence County. The trade area extends as much as an hour's drivetime from the City of Watertown, double the average 20-30 minutes that most consumers are willing to travel to meet their overall retail and service needs. However, previous studies have confirmed the propensity of consumers to drive longer distances in this relatively sparsely populated region for shopping and dining. The approximate boundaries of the trade area are shown in the map at right.



For the purposes of this analysis, Camoin Associates used data from the US Census and information derived from the various US Census Bureau data sources (including proprietary data sources such as Claritas Data Services.) Upon review of the information provided, it was found that the available data had significant errors and provided erroneous estimates for interim-year (i.e. non-Census year) population estimates. As described recently in various news sources, this data has been contested and has been revised several times by the US Census Bureau. Because of the multiple revisions and the contested nature of the figures (revised or otherwise,) it is impossible for Camoin Associates to provide the level of accuracy in demographic and economic data that would normally accompany such a report.

Instead, Camoin Associates has gone to great lengths to use 2000 Census information and adjust it accordingly to account for revised interim-year information as well as the addition of a new brigade at Fort Drum. Where possible, information sources were parsed to bring further depth to this analysis, such as estimating income brackets for the new Fort Drum-related households in the area from rank and pay scale information provided by the US Armed Forces. Every attempt was made to bring an accurate and complete picture of the market and demographic information provided below.

Please see below for these estimated market, demographic and economic indicators.

## Section 1.1: Market Demographics

### Population

The City of Watertown is the largest population center in Jefferson County and the County seat. According to the 2000 Census, the City had a population of 26,705.

The Watertown Trade Area, shown on page 2, grew from a population of 155,787 in 2000 to an estimated 164,048 in 2005<sup>1</sup>. This amounts to a growth rate of 5.3% over the five years, or an annual growth rate (compounded) of 1.03%. Additionally, Jefferson County grew from 111,738 in 2000 to 116,384 as of July 2005, for an annual growth rate (compounded) of 0.81%. Indeed, Jefferson County was declared to be the fastest growing county in all of New York State following the announcements of the revised Census Bureau statistics.<sup>2</sup> By comparison, New York State as a whole grew by only 0.27% on an annual basis during the same time period.

The table below summarizes the population trends in the City of Watertown, Jefferson County, the Watertown Trade Area, and the State of New York from 2000 through 2005.

<b>Market Area Population</b>			
	<b>2000</b>	<b>2005 (est.)</b>	<b>Average Annual Change</b>
City of Watertown	26,705	29,410	1.95%
Jefferson County	111,738	116,384	0.81%
<b>Watertown Trade Area</b>	<b>155,787</b>	<b>164,048</b>	<b>1.03%</b>
New York State	18,976,457	19,234,323	0.27%

It is important to note that the trade area also has a large seasonal population that is not counted in the figures above. More than 6,000 seasonal homes are on the tax rolls in Jefferson County alone, according to the Office of Real Property. In fact, there are more seasonal residences than lodging rooms and campsites combined.

Based on an average household size of 2.5 persons, the County's population is supplemented by an estimated 15,000 seasonal residents. It is believed that many seasonal property owners are from the Syracuse and Rochester metropolitan areas and have above-average income levels. Some of these property owners may become year-round residents as they reach the age of retirement. Studies suggest that seasonal residents tend to spend *more* on fine dining, specialty retailing, and entertainment than permanent residents (because they have more discretionary income), but considerably *less* on special events and tourist attractions (and of course, lodging) than overnight visitors. Seasonal residents represent a potential target market for participation in recreational activities.

<sup>1</sup> This estimate was arrived at using the original 2004 census-bureau estimate, adding in the adjustments made since that time, and including the new population resulting from the addition of a brigade at Fort Drum.

<sup>2</sup> Watertown Daily Times. "Census estimates say Jefferson fastest growing county in state." March 22, 2006.

## Fort Drum Demographics and Economics

The U.S. Army's 10<sup>th</sup> Mountain Division is located in Fort Drum in northern Jefferson County. Past studies of Watertown area market opportunities have identified Fort Drum as "an unusually attractive market for many retail outlets. They have steady middle class income [and] they are a constantly renewed market, being rotated through the post every few years."<sup>3</sup>

Over the last ten years, the total number of on-base military and civilian personnel at Fort Drum has ranged from approximately 12,000 to 15,000. According to its most recent economic impact statement, Fort Drum provided employment for 2,548 civilians and 12,117 soldiers in FY 2003, increasing to 3,050 civilians and 14,055 soldiers in FY 2004.<sup>4</sup> Based on a payroll figure of \$136,223,240, civilian employees earned approximately \$45,000 per year on average. With a payroll of \$309,625,181, military employees at the installation earned an average of about \$22,000 annually; the discrepancy may be explained by the fact that military personnel and their families also receive housing, medical and dental care, and education-related compensation that is not reflected in these numbers.

A 1999 regional economic impact study of Fort Drum concluded that annual expenditures of \$485 million (of which \$326 million was spent on wages for military and civilian workers) generated \$103 million in direct spending to businesses in the Tri-County region, comprised of Jefferson, Lewis, and St. Lawrence Counties. The indirect, induced and dynamic effects on business sales totaled \$237 million. The analysis did not include the 40,000 Army and National Guard personnel who train at Fort Drum each year. "Since the transient personnel visit Fort Drum for intensive short-term training, they spend little money locally during their visits, and hence contribute negligibly to the regional economy."<sup>5</sup>

A series of interviews conducted as part of the above study described the specific impacts of the Fort Drum population on retail and service businesses:

*The Fort Drum-related population constitutes a major component of the demand for retail goods within the region, especially in the portions of the study area near the Fort. In that area, interviewees indicated that the greatest Fort Drum-related impacts on retailing, restaurants, entertainment and lodging are generally felt by those establishments which represent national chains. Regarding location, the greatest impacts are felt in the Salmon Run Mall area (at I-81 and NYS Route 3/Arsenal Street), and to a lesser extent, east of Watertown in the area of Route 3 near the Fort entrance. Twenty to thirty percent of sales in big box-type retailers and national chain restaurants located in or near Salmon Run Mall are estimated to be made to Fort Drum households. The same or even higher percentages of employees in these establishments are military spouses or retirees...*

*The Fort Drum [trade area] is a very youthful market, and the greatest retail impacts are felt in the areas of apparel, electronics, music, automobile, and furniture/appliances. The highest percentage cited by interviewees was for movie theaters, with up to 50 percent of business due to Fort Drum households, military and civilian.<sup>6</sup>*

Representatives of local businesses attending a focus group meeting in November 2004 agreed that the Fort Drum population generates more sales at local malls (and on-site commissaries) than in downtown Watertown. They also stated their belief that there is a significant demand among military personnel and their dependents for higher-quality goods and items found outside discount stores. The meeting

<sup>3</sup> *Retail Opportunities in Watertown, New York.* Bridge Associates. Prepared for the Central Business District Task Force, Watertown, NY, December 1997. Page 1.

<sup>4</sup> Source: <http://www.drum.army.mil/sites/about/facts.asp>

<sup>5</sup> *Fort Drum Regional Economic Impact Study.* Nutter Associates and Economic Development Research Group. Prepared for the Fort Drum Regional Liaison Organization, Watertown, NY, May 1999. Page 20.

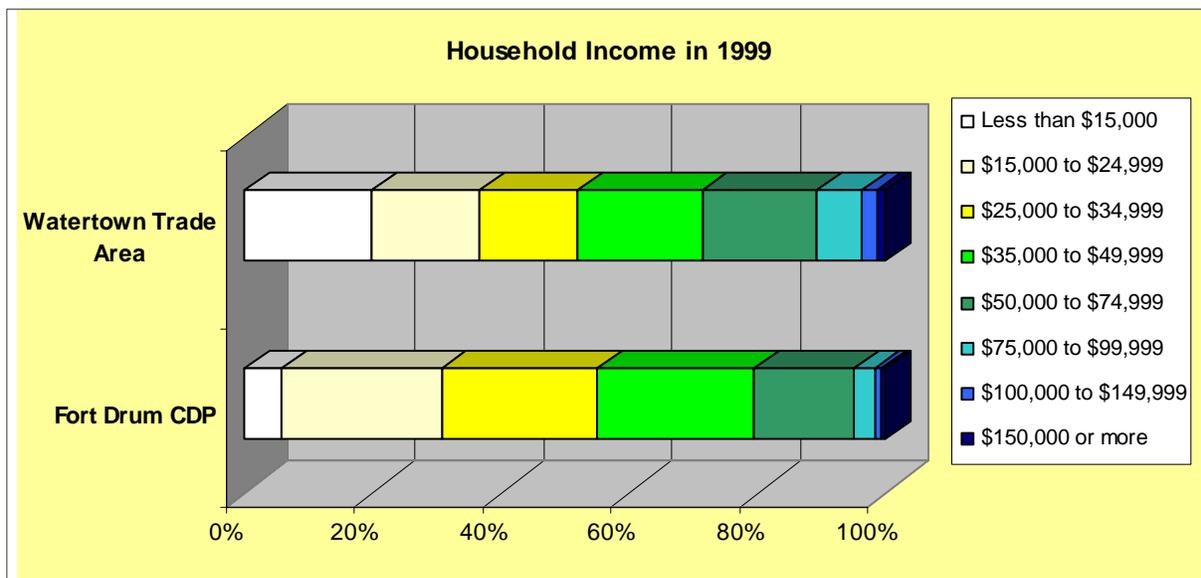
<sup>6</sup> *Fort Drum Regional Economic Impact Study.* Pages 37-38.

participants characterized the Fort Drum market as aged 25-55, earning \$40,000 a year or more, with higher disposable incomes than the resident population as a whole. Previous market studies have noted that Fort Drum has a high concentration of young, growing families with dual incomes and that residents outpace local and national averages in most areas of retail spending.

Census data indicate that the population at Fort Drum Census Designated Place (CDP) – which includes only those personnel and their families living on the base – is in fact younger and more ethnically diverse than Jefferson County overall. According to the 2000 Census, there were 12,123 residents at the Fort Drum CDP in 2000, with a median age of 22.5 years; Jefferson County’s median age was 32.5 years. While 64.2% of residents were white, 19.8% were black or African American, 2.4% were Asian, and 13.3% were Hispanic or Latino (of any race). Comprising less than 11% of the County’s population, the Fort Drum CDP nevertheless accounted for 36.8% of its African American population and one-third of its Hispanics.

Families living at Fort Drum in 2000 are more than twice as likely as those in Jefferson County to include children. Census figures show that 75.7% of the households included individuals under 18 years of age.

Fort Drum residents are relatively well-educated. Census figures show that in 2000, 96.9% of individuals age 25 years and older had at least a high school degree, while 20.1% had a bachelor’s degree or higher. Consequently, 32.9% of Fort Drum CDP residents in the civilian labor force were in management, professional, and related occupations. The median household income for the Fort Drum CDP was \$31,699, slightly less than the Jefferson County median of \$34,006; however, as shown in the chart below, there was a larger middle class at Fort Drum than in the Watertown Trade Area overall.



Fort Drum has been growing. In 2004, the 10<sup>th</sup> Mountain Division had a third brigade or unit of action assigned to Fort Drum. The new brigade added more than 5,000 soldiers (and approximately 4,708 family members.) According to the Greater Watertown-North Country Chamber of Commerce website, the new households are expected to have age, income, and family demographics similar to the population currently assigned to Fort Drum.<sup>7</sup>

The additional households associated with the new brigade will impact not only the size of the market, but also the potential demand for goods and services in the Watertown Trade Area. Based on payroll figures provided by Fort Drum, we estimate that the aggregate income in the trade area will increase by \$208.4

<sup>7</sup> Website: <http://www.watertownny.com/fdecon.html>

million. *Note that this figure reflects only the salaries of military personnel; household incomes could conceivably be higher if spousal earnings and other sources of income are included.*

The impact of the population and income growth at Fort Drum on the City of Watertown may be affected, in part, by the number of military families residing in the City. According to Fort Drum's FY 2004 economic impact statement, roughly 29% of the Army Community Housing Program's annual expenditures were made in Watertown (the report does not indicate whether this is City or Town). To address the growing housing needs of the region's military population, the Fort Drum Regional Liaison Organization secured \$100,000 in grants to assist in identifying sites for private housing development. The grants will be used to expedite the development process in smaller communities adjacent to Fort Drum. The City of Watertown has also requested a \$300,000 state grant to assist with the costs associated with the demolition of the Cloverdale Apartments. The clearing of the seven-acre site would allow for the development of new housing opportunities for Fort Drum military personnel and civilian families.

In December 2005, Governor George Pataki visited Fort Drum to announce \$9 million in state money to build roads, sewers, and water lines in an effort to stimulate private residential development. The state money is expected to create as many as 800 to 900 new homes and contribute significantly toward meeting the housing shortage in the Fort Drum-Watertown area. It is anticipated that many of the homes will be built in Watertown.

### Trade Area Household Demographics and Income

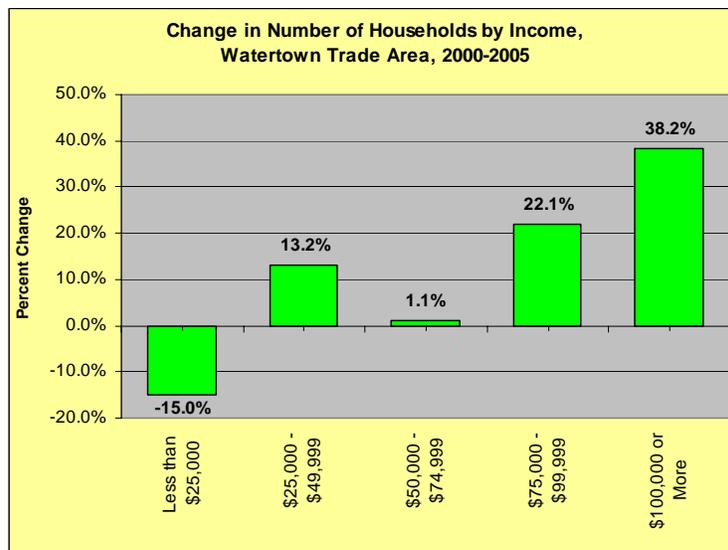
As shown in the table below, the Watertown Trade Area’s median household income has risen steadily from 1990-2005 from \$25,717 to \$36,318, which represents an annual average change (compounded) of 2.33%. This is roughly equivalent to the trends observed in New York State as a whole.

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Source: U.S. Census Bureau, Claritas Data Services, and Camoin Associates.

More interesting, however, is that many of the new households added since 2000 have been in the upper income ranges. As shown in the table and graph below, the largest positive change in number of households occurred in the \$75,000-\$99,999 and \$100,000+ income per household brackets. At the same time, the number of households earning less than \$25,000 dropped significantly.

Distribution of Households by Income, Watertown Trade Area				
	2005		Change 2000-2005	
	Number	Percent	Number	Percent
Less than \$25,000	15,307	27.2%	-2,711	-15.0%
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\$50,000 - \$74,999	10,054	17.9%	107	1.1%
\$75,000 - \$99,999	5,635	10.0%	1,018	22.1%
\$100,000 or More	4,868	8.7%	1,345	38.2%
<b>All Households</b>	<b>56,176</b>	<b>100.0%</b>	<b>2,133</b>	<b>3.9%</b>



## Section 1.2: Market Segmentation Analysis

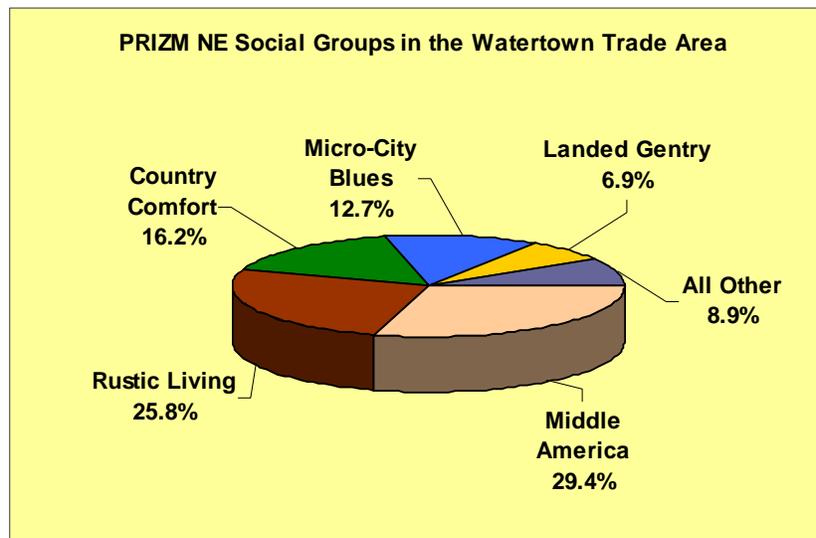
*Market segmentation* is defined as the classification of consumers according to demographic, socioeconomic, housing, and lifestyle characteristics. It is based on the concept that “birds of a feather flock together”: that is, people with similar demographic characteristics, purchasing habits, and media preferences naturally gravitate toward each other and into the communities in which they live. Businesses utilize market segmentation analysis to determine where their best customers and prospects live; they also use the information to better understand the needs of their customers and assess the potential demand for new products or services.

Examples of market segmentation systems include Community Tapestry, from ESRI Business Information, and PRIZM, from Claritas Data Services. PRIZM NE, the latest incarnation of PRIZM, has a total of 66 different market segments assigned to social groups classified according to the degree of urbanization and socioeconomic status. Each segment reflects a range of opportunities and influences.

It is important to understand that the classifications and labels for defined market segments are generalizations. The descriptions of each segment are based on comparisons with the U.S. as a whole, and reflect the *propensity* of households within that segment to exhibit certain demographic, lifestyle, and consumer characteristics relative to the overall population. Nevertheless, market segmentation analysis can provide an additional perspective on the resident market.

As shown in the chart at right, 91.1% of the households in the Watertown Trade Area are classified in segments in five social groups: Middle America; Rustic Living; Country Comfort; Micro-City Blues; and Landed Gentry. These segments range from poor to upscale, with the segments that comprise the Landed Gentry social group being the most affluent in the trade area.

Below is a description of each of the social groups and the leading market segments within them.



### Middle America

Nearly 30% of households in the Watertown Trade Area fall into the Middle America social group. The segments in Middle America consist of middle-class homeowners living in small towns and remote exurbs<sup>8</sup>; they tend to be high school educated, living as couples or larger families, and range in age from under 25 to over 65. Middle Americans are conservative consumers, preferring traditional rural pursuits: fishing, hunting, making crafts, antique collecting, watching television, attending high school sporting events, and meeting at civic and veterans clubs for recreation and companionship.

Within the trade area, four Middle America segments predominate: *Heartlanders* (4,868 households); *Shotguns & Pickups* (4,352); *Blue Highways* (3,252); and *Simple Pleasures* (2,497).

<sup>8</sup> An “exurb” usually denotes an area outside of a suburb, but still within commuting distance of a city.

Leading Market Segments in the Watertown Trade Area					
Social Group and Segment	Households		Income Level	Family Type	Age Range
	Number	Percent			
<b>Middle America</b>	<b>15,913</b>	<b>29.4%</b>			
Heartlanders	4,868	9.0%	Lower Middle	Singles/Couples	45+
Shotguns & Pickups	4,352	8.1%	Lower Middle	Families	25-44
Blue Highways	3,252	6.0%	Lower Middle	Mix	25-44
Simple Pleasures	2,497	4.6%	Lower Middle	Singles/Couples	65+
<b>Rustic Living</b>	<b>13,926</b>	<b>25.8%</b>			
Young & Rustic	5,278	9.8%	Downscale	Mix	Under 35
Back Country Folks	3,987	7.4%	Downscale	Singles/Couples	55+
Crossroads Villagers	2,737	5.1%	Downscale	Singles/Couples	Under 45
Golden Ponds	1,515	2.8%	Downscale	Singles/Couples	65+
<b>Country Comfort</b>	<b>8,777</b>	<b>16.2%</b>			
Mayberry-ville	3,454	6.4%	Midscale	Mix	35-64
Big Sky Families	2,626	4.9%	Midscale	Families	25-54
Traditional Times	2,149	4.0%	Midscale	Singles/Couples	55+
<b>Micro-City Blues</b>	<b>6,882</b>	<b>12.7%</b>			
Family Thrifts	2,411	4.5%	Downscale	Families	Under 45
Park Bench Seniors	1,338	2.5%	Poor	Singles	55+
Hometown Retired	1,261	2.3%	Downscale	Singles/Couples	65+
<b>Landed Gentry</b>	<b>3,751</b>	<b>6.9%</b>			
Country Casuals	1,347	2.5%	Upper Middle	Couples	35-64
Fast-Track Families	1,287	2.4%	Upper Middle	Families	25-54
Big Fish, Small Pond	1,112	2.1%	Upscale	Couples	45+

Source: Claritas Data Services and Camoin Associates.

The second-largest market segment in the Watertown Trade Area (and the third-largest in the 13602 zip code that covers Fort Drum), *Heartlanders* are middle-aged couples and empty nesters with working-class jobs living in modest but well-kept homes. Many are farmers, but others are in occupations related to transportation, maintenance, and construction. Heartlanders pursue rustic lifestyles where hunting and fishing remain prime leisure activities along with cooking, sewing, camping, and boating. They tend to shop at Wal-Mart, belong to church boards and veterans clubs, and dine out infrequently, usually at value-priced family restaurants like Cracker Barrel.

The *Shotguns & Pickups* segment came by its name for good reason: it scores near the top of all lifestyles for owning hunting rifles and pickup trucks, as well as fishing equipment and other sporting goods. These Americans tend to be young working-class couples and large families. Nationally, nearly one-third of the households in this segment live in manufactured housing, the highest rate in the country.

Households in *Blue Highways* are typically lower-middle class couples and families between the ages of 25 and 44. Like the other segments of Middle America, they enjoy traditional leisure activities such as hunting, fishing, sewing, crafts, and country music concerts. Blue Highways consumers spend their dollars at establishments like Wal-Mart, family steakhouses, and sporting goods stores.

With more than two-thirds of its members over 65 years old, *Simple Pleasures* is a lifestyle dominated by retirees: lower middle class singles and couples living in modestly priced homes. Many are high school-educated seniors who held blue-collar jobs before their retirement. A disproportionate number served in the military; no segment has more members of veterans clubs. The retirees of Simple Pleasures spend much of their disposable income on domestic travel, typically in recreational vehicles and campers.

While not a leading segment within the Watertown Trade Area overall, *Kid Country USA*, also part of the Middle America social group, is nevertheless one of the largest market segments within the Fort Drum zip code. *Kid Country USA* is characterized by large working-class families. Predominantly white, with an above-average concentration of Hispanics, these young households include homeowners, renters and military personnel living in base housing. Members of the *Kid Country USA* segment are more likely to rent family and children's videos, go roller-skating, and purchase action figures, baby dolls, and toys.

### **Rustic Living**

Representing 25.8% of trade area households, the segments of Rustic Living are found in the nation's most isolated towns and rural villages. As a group, residents have relatively modest incomes, low educational levels, aging homes, and blue-collar occupations. Many of the residents, a mix of young singles and seniors, are unmarried. These consumers spend their leisure time in such traditional small-town activities as fishing and hunting, attending social activities at the local church, and enjoying country music and car racing.

This social group has four primary market segments within the trade area: *Young and Rustic* (5,278 households); *Back Country Folks* (3,987); *Crossroads Villagers* (2,737); and *Golden Ponds* (1,515).

Young singles characterize members of the *Young and Rustic* segment, who tend to be high school educated and working in lower-income, service industry jobs. *Young and Rustic* is the largest market segment in the Watertown Trade Area as well as in the Fort Drum zip code. As consumers, the members of this segment score high for outdoor sports, movies and music, fast food and inexpensive cars. They tend to eat convenience store meals, make purchases from television shopping channels, and belong to CD/tape clubs.

*Back Country Folks* tend to be poor, over 55 years old, and living in older, modest-sized homes and manufactured housing. They have spent their lives in the nation's remote farm communities, working in construction, transportation, production, or farming. Leisure pursuits include hunting, fishing, sewing, target shooting, eating at fast food restaurants and shopping at stores like Wal-Mart and Family Dollar.

With a population of middle-aged, blue-collar couples and families, *Crossroads Villagers* live a classic rural lifestyle. Residents are high school-educated, with lower-middle incomes and modest housing; one-quarter live in mobile homes. Self-reliance is key to this segment as they help put food on the table through fishing, gardening, and hunting. *Crossroads Villagers* are more likely to buy videos by mail and phone, own a handgun, do karate/martial arts, ride a motorcycle, and go snowmobiling.

*Golden Ponds* is mostly a retirement lifestyle, dominated by downscale singles and couples over 65 years old. Found in small bucolic towns around the country, these high school-educated seniors live in small apartments on very modest incomes; one in five resides in a nursing home. For these elderly residents, daily life is often a succession of sedentary activities such as reading, watching TV, playing bingo and doing crafts.

### **Country Comfort**

The market segments in Country Comfort, which comprises 16.2% of the households in the trade area, are characterized by predominantly white, middle-class homeowners. They tend to be married, between the ages of 25 and 54, with or without children. They enjoy comfortable upscale lifestyles, prefer SUVs and mini-vans to cars, and exhibit high indices for gardening, woodworking, crafts, and playing golf.

The leading Country Comfort segments in the Watertown Trade Area are *Mayberry-ville* (3,454 households); *Big Sky Families* (2,626); and *Traditional Times* (2,149).

The middle-class couples and families of *Mayberry-ville* maintain an old-fashioned way of life, residing in small towns where they like to fish and hunt during the day and stay home and watch television at night. Predominantly high school educated, they have lucrative jobs in farming, construction, transportation, and manufacturing. This is the second-largest market segment within the Fort Drum zip code. *Mayberry-ville* residents live in moderately-priced housing, allowing them to use their discretionary income to purchase boats, campers, motorcycles, and pickup trucks. Households in this segment are more likely than other U.S. households to own a satellite dish, stay at campgrounds, belong to a civic club, shop at Wal-Mart and Dress Barn, and dine at Ponderosa.

*Big Sky Families* is a segment of young rural families, typically with children, who have turned high school educations and blue-collar jobs into busy, middle-class lifestyles. Residents like to play baseball, basketball and volleyball, besides going fishing, hunting, and horseback riding. To entertain their sprawling families, they buy virtually every piece of sporting equipment on the market, especially camping and weight lifting equipment.

The *Traditional Times* segment encompasses small-town couples nearing retirement. Typically in their fifties and sixties, these middle-class Americans own their homes but are big travelers, especially in recreational vehicles and campers. *Traditional Times* households are more likely to own a rowing machine, belong to a country club, do needlework or quilting, enjoy gardening, and dine at Ponderosa and Cracker Barrel.

### **Micro-City Blues**

Nearly 13% of the trade area households fall into the *Micro-City Blues* social group. This group is comprised of the predominantly downscale residents living in the affordable housing found in small cities. Most of the workers hold (or have held) blue-collar jobs, hence the name. This is one of the few social groups where consumers have a high index for video games and bingo, aerobic exercise and fishing. It is, however, the least affluent of the social groups that characterize households in the Watertown area.

Within the trade area, three segments predominate: *Family Thrifts* (2,411 households); *Park Bench Seniors* (1,338); and *Hometown Retired* (1,261).

The *Family Thrifts* segment is characterized by young, ethnically diverse parents working in entry-level service jobs. Many have not completed high school. In these apartment-filled neighborhoods, visitors find the streets packed by babies and toddlers, tricycles and basketball hoops. *Family Thrifts* are more likely to buy children's toys, play racquetball, shop at Dress Barn and Kids R Us, and travel domestically by bus.

*Park Bench Seniors* are typically retired singles living in small cities. With modest educations and incomes, these residents maintain low-key, sedentary lifestyles. They often belong to veterans clubs and fraternal orders and spend their leisure time watching television and playing musical instruments.

With three-quarters of all residents over 65 years old, *Hometown Retired* is one of the oldest lifestyles. These seniors tend to live in aging homes built before 1950 and typically get by on social security and modest pensions. Because most never made it beyond high school and spent their working lives at blue-collar jobs, their retirements are extremely modest.

### **Landed Gentry**

Approximately 7%, or 3,800 households, in the trade area are in the *Landed Gentry* social group. This group consists of wealthy Boomer families and couples with college degrees, professional jobs, and high spending on consumer electronics, wireless and computer technology, luxury cars, books and magazines, and exercise equipment. It is easily the most affluent group within the Watertown Trade Area, where the leading market segments are *Country Casuals*, with 1,347 households; *Fast-Track Families*, with 1,287; and *Big Fish, Small Pond* with 1,112.

*Country Casuals* are middle-aged, upper-middle class households that have started to empty nest. Many are dual-income households and/or own small businesses, providing them with the disposable income necessary for going out to eat and traveling frequently. They are more likely to purchase camping equipment, buy collectibles by mail or phone, dine at Applebee's, and go camping and fishing. Country Casuals also have a high index for domestic travel, staying at hotels or motels.

With their upper-middle class incomes, numerous children, and spacious homes, *Fast-Track Families* are in their prime acquisition years with substantial disposable income and range in age from 25 to 54. They buy the latest technology: new computers, DVD players, home theater systems, and video games. They take advantage of their rustic locales by camping, boating, and fishing. They are likely to own a power boat, belong to a book club, drive an SUV, go hunting, do woodworking, and enjoy golfing and riding motorcycles.

The members of *Big Fish, Small Pond* are older, upper-class, college-educated professionals who are often among the leading citizens of their communities. They maintain large investment portfolios and spend freely on computer technology. They are more likely to belong to a country club, own a vacation or weekend home, purchase golf clubs, shop at Lowe's and Sports Authority, go birdwatching, and visit resorts.

**Section 1.3: Summary**

Although the City and the trade area lag behind New York State with respect to median household income levels, the data indicate a growing number of trade area households in higher income brackets. The number of households earning \$100,000 or more per year is estimated to have increased by 1,345 to a total of 4,868. This trend may support the demand for higher-quality goods and full-service restaurants in Watertown, allowing the City to serve seasonal residents and visitors as well.

The market segmentation analysis for the Watertown Trade Area shows a number of common threads, including interest in traditional small-town/rural activities such as fishing, boating, gardening, making crafts, sewing, and attending church suppers. Many of the leading segments have a high propensity towards purchasing camping equipment and sporting goods, shopping at discount stores, ordering by mail or catalog, and dining at fast-food restaurants and steakhouses.

The growing Fort Drum market is a bright spot for the Watertown Trade Area. Previous studies have indicated that the Fort has a high proportion of young, growing families with dual incomes. Fort Drum also comprises a significant portion of the region's minority population, offering another potential opportunity for area businesses. The assignment of a third brigade to the 10<sup>th</sup> Mountain Division represents a projected increase of nearly 10,000 people and \$208.4 million in aggregate income in the trade area. It is anticipated that many of the new troops who have relocated to Fort Drum will reside in Watertown, since it is among the communities where government money has been allocated to address the region's housing shortage. The City of Watertown is also likely to benefit from the higher income levels and increased demand for goods and services among military personnel and their families.

## 2 THE CANADIAN MARKET

Discussions with local business owners indicate that Watertown once had a substantial Canadian market. As recent as the late 1990s, more than 1 million Canadians visited Jefferson County each year, primarily for shopping. It was reported that these Canadians “tend to be better-educated and older than the average U.S. or Canadian citizen, and enjoy average incomes of over \$56,000 US.”<sup>9</sup> With its strategic location off a major interstate route, Watertown was well-positioned to attract these consumers.

For a variety of reasons, the situation has changed dramatically. Today, although charter bus companies are bringing Canadians to shop at outlet malls in other parts of New York State, there is reportedly little Canadian traffic at businesses in downtown Watertown. Canadians also represent only a small proportion of visitors to Jefferson County (see Section 3 of this report).

Within 90 minutes of the City of Watertown, there are an estimated 200,000 Canadians, including 55,000 in the City of Kingston, Ontario. Overall, the census divisions or counties in which these residents are located (Frontenac County, Leeds and Grenville United Counties, and Lennox and Addington County, Ontario) experienced limited growth in population from 1996 to 2001. Of 108,750 households in these areas in 2001, 32.6% were identified as couple family households without children, 29.0% as couple family households *with* children, and 24.7% as single-person households.

The Thousand Islands crossing extends from Collins Landing near Alexandria Bay to Ivy Lea near Gananoque, Ontario, covering a distance of 8.5 miles. Providing a direct connection between U.S. Interstate 81 and Canada’s major east-west highway Route 401, it is one of the busiest U.S./Canadian international commercial crossings, serving over 500,000 trucks per year.

Passenger traffic on the Thousand Islands International Bridge is currently at 1,700,000 vehicles per year, of which approximately 73% are recreational in type. Unlike other international crossings, the Thousand Islands border does not have a large base of daily work commuters. Although there has been a steady increase in commercial traffic on the bridge, passenger traffic has been relatively stable since the early 1990s. According to a study being conducted to determine short- and long-term improvements to the bridge system on both sides of the border, growth in passenger traffic is expected to be modest over the next 25 years; in contrast, commercial vehicle crossings are projected to double.<sup>10</sup>

Reflecting the tourism-based economy, auto traffic on the bridge is highly seasonal: 41% of the passenger cars cross in the summer months, 22% each in the spring and fall, and 14% in the winter. July and August are the busiest months of the year, accounting for more than 30% of all passenger traffic.

The decline in Canadian visitors to Watertown and Jefferson County is believed to be the result of exchange rate fluctuations. In 1991, the annual average exchange rate was \$1.00 Canadian to \$0.87281 U.S. The annual average exchange rate declined throughout the 1990s, however, bottoming out at \$0.63722 U.S. in 2002. In the last year, the daily value of the Canadian dollar has ranged from a low of \$0.7159 to a high of \$0.8493 U.S.<sup>11</sup>

Goods purchased in the U.S. by Canadian residents are subject to provincial sales taxes; also, many goods produced outside North America are subject to the Canadian Goods and Services Tax of 7%.<sup>12</sup> Overall, unfavorable exchange rates combined with duties and taxes have made the U.S. a less attractive destination for Canadian shoppers than in years past.

<sup>9</sup> *Retail Opportunities in Watertown, New York*. Page 1.

<sup>10</sup> Source: <http://www.tibridge.com/study/index.htm>

<sup>11</sup> These figures are as of February 22, 2005. Source: <http://fx.sauder.ubc.ca/>

<sup>12</sup> Source: [http://canadaonline.about.com/cs/customs/a/shopshipcanada\\_2.htm](http://canadaonline.about.com/cs/customs/a/shopshipcanada_2.htm)

### 3 THE VISITOR MARKET

This section analyzes the Watertown area tourism market, examining information on visitor origins, interests, and demographic characteristics from a variety of sources. The purpose of this analysis is to better understand the impact of tourism and identify potential opportunities for Watertown to capitalize on businesses from visitors to Watertown and the 1000 Islands Region.

#### **Section 3.1: Visitation to Jefferson County and the 1000 Islands Region**

The 1000 Islands region is an area that includes Jefferson County, NY and a roughly equal area in southeastern Ontario, Canada. Extensive data on visitation to Jefferson County is available from two primary sources: the 1000 Islands International Tourism Council (TIITC), and the Northern New York Travel and Tourism Research Center.

*The Jefferson County Tourism Profile*, prepared approximately every other year by the TIITC, provides users with a conceptual and statistical view of the local tourism industry. The profile is based on data compiled from public agencies as well as the TIITC's annual surveys of tourism businesses.

As noted in the *Tourism Profile*, Boldt Castle is the region's most recognized landmark and easily its most popular individual attraction, with attendance exceeding 240,000 in 2001. Other key attractions in the County outside the City of Watertown for which attendance data is available include the Sackets Harbor Battlefield State Historic Site (81,123 visitors); Evans Mills International Speedway (38,500); Minna Anthony Common Nature Center (37,636); the Seaway Trail Discovery Center in Sackets Harbor (32,000); and the Antique Boat Museum in Clayton (31,000).

According to the TIITC, scenic cruises and boat tours, as a composite, are the most frequented attraction in Jefferson County. Indeed, the primary basis for tourism in the region since the nineteenth century has been water recreation on Lake Ontario and the St. Lawrence River. There are abundant opportunities for water-based activities such as power boating, canoeing and kayaking, sailing, and fishing. Additionally, the County's interior offers other recreational opportunities to visitors. The Tug Hill plateau in the southern portion of Jefferson County, for example, boasts one of the most reliable snowfalls in the nation, and is known as an excellent location for skiing and snowmobiling.

Numerous state parks draw visitors to Jefferson County for camping, hiking, nature viewing, and other pursuits. More than 300,000 camping nights are booked at twelve state parks in the County each year. Campers are a significant market; an estimated 20% of visitors to the County camp at private facilities or state parks. In 2000-2001, visitation to the state parks ranged from a high of 102,353 at Wellesley Island, to about 42,000 visitors each at Westcott Beach (Sackets Harbor) and Cedar Point (Cape Vincent), to a low of 1,702 at Dewolf Point (Wellesley Island).<sup>13</sup>

Although tourism is an important component of the Jefferson County economy, the TIITC asserts that it has been static in recent years. Lodging sales in particular "have been on the decline over the past few years as compared to the growth period of the early 1990s."<sup>14</sup> More than 60% of lodging sales county-wide are during the summer season; the fall tends to be slightly stronger than the spring season, while the winter season is the weakest. Many lodging facilities close their doors during the winter months; only 51% of the

<sup>13</sup> *A Tourism Plan for the City of Watertown, NY*. SUNY College of Environmental Science and Forestry, Syracuse, NY, July 2003. Page 15.

<sup>14</sup> *Jefferson County Tourism Profile*. 1000 Islands International Tourism Council, Alexandria Bay, NY, 2002. Page 12.

rooms in the County overall are open year round. Watertown has a much higher proportion of year-round lodging facilities, however, with 82% of the rooms open throughout the year.

Data on the geographic origins of Jefferson County visitors is not available. However, the *Tourism Profile* notes that more than 8 million U.S. and Canadian households are within a four-hour drive; the County is in close proximity to major population centers in upstate New York, Vermont, Pennsylvania, Quebec, and Ontario.

The Northern New York Travel and Tourism Research Center has contracted with tourism consultant Davidson-Peterson Associates to prepare annual reports of the economic impact of tourism on the counties of northern New York State. Highlights of the most recent report pertaining to Jefferson County are provided below:

- In 2003, the County had an estimated 697,141 overnight *person visits*. A *person visit* is one person staying one or more nights in one place. This includes repeat visitors as well as those visitors who might have stayed in more than one place.
- Approximately 42% of overnight visitors to the County stayed in a hotel, motel, or resort, while 25% stayed at a campground. The remainder stayed with friends or family or in a cabin, cottage, or condominium.
- Of the visitors who stayed in a hotel, motel, or resort, 30% were in the area on business, 65% for pleasure, and 5% for meetings. The proportion of business travelers was higher – 40% – in the last four months of the year (October-December). (Typically, lodging demand by U.S. business travelers is relatively constant throughout the year, with a drop-off during holiday periods.) The average length of stay was 2.3 nights.
- About 43% of visitors who stayed in a hotel, motel, or resort in Jefferson County in 2003 were from out of state. The majority of these were American; Canadians comprised 7% of the guests. A significantly higher proportion of visitors who stayed at a campground – 67% – were from out of state, but most were from other areas of the U.S.
- Total visitor expenditures in the County were more than \$162 million in 2003. Of this total, 28% (\$46.3 million) was spent on recreation, sightseeing, and entertainment; 26% (\$41.3 million) on food, 21% (\$33.8 million) on shopping, and 15% (\$25 million) on lodging. Jefferson County visitors spent a slightly lower share on lodging than all visitors to northern New York (17%). Expenditures vary by type of accommodation and season.
- Visitor expenditures are estimated to have generated almost \$13 million in state government revenues and more than \$17 million in local government revenues in 2003. Without these expenditures, unemployment in Jefferson County would have increased to 18% and local resident taxes would have increased an estimated \$322 per household in order to maintain government services at current levels.<sup>15</sup>

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<sup>15</sup> 2003 *Economic Impact of Expenditures by Tourists on Northern New York State: Jefferson County*. Davidson-Peterson Associates. Prepared for the Northern New York Travel and Tourism Research Center, SUNY Potsdam.

### Section 3.2: Visitation to the City of Watertown

Within the 1000 Islands region, Watertown is perceived primarily as a location for tourism-related services rather than a destination. According to *A Tourism Plan for the City of Watertown, NY*, the majority of visitors to Watertown are “either paddling enthusiasts utilizing the whitewater resources of the Black River or individuals passing through the city on their way to other tourism destinations.”<sup>16</sup>

Nevertheless, as shown in the table at right, Watertown does offer several cultural attractions to visitors and residents, as well as access to diverse outdoor recreational opportunities (e.g., hiking, fishing, bicycling, skiing).

The New York State Zoo at Thompson Park is Jefferson County’s second most-visited attraction. In 2001, its total attendance was 96,115, with 60% occurring in the summer months, 15% in autumn, 4% in winter, and 21% in spring.

Resources and Attractions, Watertown Area	
Attraction or Resource	Opportunities or Features
Black River	Rafting, kayaking, canoeing, fishing, swimming
Glen Park Hydro	Fishing access
Veterans Memorial River Walk	Walking, fishing
Waterworks Park	Hiking, fishing, paddling
Poors Island Recreation Area	Fishing and boating access, hiking
Dry Hill Ski Area	Skiing, snowboarding, tubing
Huntington Hike/Bike Trail	Hiking, biking, cross-country skiing
Miscellaneous Sites	Fishing access
Thompson Park / New York State Zoo	355-acre park with living museum & interpretive center; walking, jogging, swimming, tennis, golf
Alex T. Duffy Fairgrounds	Special events, skating, fishing access
Jefferson County Historical Society	Historical museum
Sci-Tech Center	Science museum
Roswell P. Flower Memorial Library	Architectural resource
The Little Theater of Watertown Inc.	Dinner theater

Source: *A Tourism Plan for the City of Watertown, NY*.

According to the zoo’s executive director, an estimated 75% of the total attendance can be attributed to residents in Jefferson, St. Lawrence, and Oswego Counties, including Fort Drum, although visitors come from all over the U.S. and the world. Dry Hill Ski Area has about 25,000 visitors per year, while the Sci-Tech Center, located in downtown Watertown, attracts 12,000 visitors annually, with 20% in summer, 25% in fall, 25% in winter, and 30% in spring.

Limited demographics are available on Black River users. A study of commercial opportunities related to tourism initiatives in the Black River corridor noted that river usage by the local population is low, adding that locals should be “introduced” to the river through the river events, equipment rentals, and instruction.<sup>17</sup> Information on kayakers, rafters, and so on has been drawn from national sources; it is assumed that whitewater enthusiasts on the Black River are similar to whitewater enthusiasts throughout the country. Locally-derived data has not been compiled, however.

Watertown has approximately 34% of Jefferson County’s lodging, with 865 rooms at 16 establishments, including one B&B downtown (on Mullin Street). As noted in the previous section, the majority of the rooms in Watertown are available year-round. This scenario may allow the City to capitalize on off-season lodging demand, as well as overall demand for national chain hotels/motels that are not located anywhere outside Watertown. Data from the City Comptroller’s Office shows that room occupancy tax receipts during FY 2003 (ending June 2004) totaled \$86,770, an increase of about \$4,000 over the previous fiscal year. Between each of the fiscal years between 1988 and 1991, however, occupancy tax receipts exceeded \$100,000 per year.<sup>18</sup>

<sup>16</sup> *A Tourism Plan for the City of Watertown, NY*. Page 1.

<sup>17</sup> *Presentation of Results: Black River Corridor Economic Adjustment Strategy, Task C: Commercial Opportunities Related to Tourism Initiatives in the Black River Corridor*. Center for Community Studies at Jefferson Community College, November 2001.

<sup>18</sup> Jefferson County has a 3% room occupancy tax, implemented in 1989. An occupancy tax, also known as a “bed tax,” is often used as a key measurement of a tourism economy, although it does not necessarily correspond to the total number of visitors (since some visitors stay with friends and family, camp, or do not stay overnight.).

In contrast to the number of lodging establishments, there is a single RV park in Watertown, and no other private campgrounds. Black River users have been given permission to camp at the City's Fairgrounds during special events, but otherwise, they must seek facilities elsewhere if they prefer to camp.

### Section 3.3: Recreational User Profiles

Data on sports participation in the United States is tracked by various organizations to provide marketing intelligence to sporting goods manufacturers, websites, advertising agencies, communications media, and other professionals with an interest in participant sports, product markets, or fitness lifestyles. The Sporting Goods Manufacturing Association (SGMA), for example, produces an annual study of outdoor recreation in the U.S. that includes data on participation in a broad range of activities.

A historical summary on participation in selected outdoor activities is shown in the chart on page 26. According to the SGMA study, the most popular forms of outdoor recreation in 2003 were swimming, with approximately 96.4 million participants age 6 and older; freshwater fishing (43.8 million); tent camping (41.9 million); and day hiking (39.0 million). Participation in many of these activities has been flat, while other outdoor sports are growing. The number of people reporting that they went snowshoeing, for example, increased from 1.7 million in 1998 to 2.5 million in 2003, an increase of 44.0%. Participation in mountain biking increased from 1.5 million riders in 1987 to 8.6 million in 1998, but then dropped off to 6.9 million by 2003. Kayaking was one of the few outdoor sports where participation increased steadily, from 3.5 million to 6.3 million – a growth rate of 80.6%. The SGMA reports that there has been virtually no growth in the number of frequent participants in outdoor sports in most categories (“frequent” participation is defined as 15 days or more of activity per year, or 12 days or more for kayaking and rafting).

2003 Outdoor Activity User Profiles							
User Group	Freshwater Fishing	Day Hiking	Hunting (Shotgun/Rifle)	Canoeing	Kayaking	Snowmobiling	Rafting
<b>Total US Participants (000s)</b>	<b>43,819</b>	<b>39,096</b>	<b>15,232</b>	<b>11,632</b>	<b>6,324</b>	<b>5,509</b>	<b>4,553</b>
% Female	34.7%	47.5%	11.8%	47.1%	49.5%	43.5%	49.5%
Frequent Participants (000s) [1]	12,272	8,009	4,690	904	911	881	437
As a % of Total Participants	28.0%	20.5%	30.8%	7.8%	14.4%	16.0%	9.6%
<b>Average Age</b>	<b>32.7</b>	<b>33.5</b>	<b>35.6</b>	<b>30.5</b>	<b>33.2</b>	<b>28.0</b>	<b>29.8</b>
% Age 18 and Over	69.3%	74.8%	78.7%	65.2%	74.4%	63.1%	66.6%
<b>Average Household Income [2]</b>	<b>\$57,100</b>	<b>\$69,000</b>	<b>\$53,800</b>	<b>\$66,900</b>	<b>\$77,900</b>	<b>\$60,500</b>	<b>\$65,300</b>
% with Income of \$75,000 and Over [3]	25.4%	37.3%	20.6%	35.7%	46.6%	28.5%	35.2%
% with Advanced Degree [4]	7.0%	17.5%	7.1%	15.4%	20.4%	6.2%	14.3%
<b>Average Number of Years Participated</b>	<b>17.9</b>	<b>14.2</b>	<b>18.6</b>	<b>11.0</b>	<b>5.2</b>	<b>8.5</b>	<b>7.6</b>
Average Days of Participation Per Year	15.8	12.9	15.8	6.0	6.7	8.1	5.9
% with Higher Participation Expected [5]	46.4%	45.1%	45.4%	35.4%	44.2%	43.4%	31.5%

Source: SGMA International and Camoin Associates.

#### Notes:

[1]: Defined as 15 or more days per year for Freshwater Fishing, Day Hiking, Hunting, Canoeing, and Snowmobiling; 12 days or more per year for Kayaking and Rafting.

[2]: According to the U.S. Census Bureau, the mean household income for the United States in 2003 was \$59,067.

[3]: According to the U.S. Census Bureau, in 2003, 26.1% of all households in the U.S. had incomes of \$75,000 and over.

[4]: For persons age 18 and over, percent with masters, doctorate and professional degrees.

[5]: Expected participation more than last year over the next 12 months.

According to the SGMA Superstudy of Sports Participation 2003, hunting and freshwater fishing have the greatest number of frequent participants, followed by day hiking, canoeing, and snowmobiling. Rafting and canoeing tend to be pursued less than three times per year. Most individuals participating in hunting, freshwater fishing, day hiking, and canoeing have pursued those activities for greater than 10 years. On average, participants in kayaking, snowmobiling, and rafting have pursued those activities for roughly 7 years. All aforementioned sports have similar demographics in terms of age, with averages between 28 and 36 years.

Most outdoor sports tend to be slightly skewed towards male participation. For day hiking, canoeing, kayaking, snowmobiling, and rafting, females comprise roughly 45% of participants. However, fishing

and hunting are heavily skewed towards male participation. Roughly 65% of all freshwater fishing enthusiasts and 90% of all hunters are males.

Average household incomes of sports participants tend to be high in comparison to the 2003 U.S. average, which was approximately \$59,000.<sup>19</sup> Hunters have the lowest household incomes, averaging \$53,800, while kayakers have the highest at \$77,900. All of the above-mentioned sports have significant numbers of individuals with incomes exceeding \$75,000 per year, with the highest proportion found among kayakers (46.6%) and day hikers (37.3%). Not surprisingly, these user groups are also the most highly educated.

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<sup>19</sup> U.S. Census Bureau, Current Population Survey, 2003.

### Section 3.4: The River Market

Participants at a November 2004 business focus group discussion suggested that *multiple* uses of the Black River should be promoted, not just whitewater kayaking. One commenter referred to this as “recreational progression” which would allow Watertown to market this important asset to a variety of user groups. A whitewater park currently under development in Charlotte, NC is expected to focus on multiple users.

Consistent with this concept, the Town of Martinsburg, in association with 37 other municipalities, and with the assistance of the Tug Hill Commission, submitted an application to the NYS Department of State for EPF funding to designate the whole length of the Black River as a “Blueway Trail.” A grant in the amount of \$27,000 was awarded and will be used to fund a Blueway Trail Development Plan for the Black River. In addition, Assemblywoman Dede Scozzafava granted \$10,000 to organize and promote a series of paddling events on the Black River in 2005.

Focus group meeting participants agreed that the city should bring back a formerly annual event, the Black Riverfest. There was discussion of involving multiple organizations and coordinating a mix of activities, including bike races, walking, kayaking, rafting, a fishing contest, and even a triathlon.

In August 2004, the U.S. Freestyle Kayaking Team Trials were held in Watertown. This event served as the qualifying trials for a world competition in Australia in January 2005. Produced by Blackwater Development, the team trials brought an estimated 120 participants, 100 support staff (coaches, etc.), and 1,500 spectators to the City. According to City staff, the event had an enormous impact on local restaurants, and area campgrounds, such as the Black River Campgrounds in Dexter, were at capacity.<sup>20</sup> (It is more difficult to identify the impact on local hotels because many experienced an increase in occupancy due to the addition of a new brigade at Fort Drum.)



Camoin Associates interviewed several outfitters and guides operating in the Watertown area for this report. Specifically, these business owners and operators noted that most participants in canoeing, rafting, and kayaking are casual users who are also interested in other recreational activities (see table). A review of other successful whitewater parks, combined with the cross-participation rates published in the SGMA study, supports the need to market the Black River to a mix of user groups.

Participation in Other Sports Activities			
	Canoeing Participants	Kayaking Participants	Rafting Participants
Canoeing	100.0%	33.5%	29.4%
Swimming (Recreational)	76.2%	70.7%	75.3%
Camping (Tent)	55.6%	46.3%	60.3%
Hiking (Day)	53.2%	51.2%	49.4%
Walking	52.9%	56.7%	52.2%
Bicycling (Road)	49.7%	54.0%	49.7%
Fishing (Freshwater)	43.6%	28.9%	35.8%
Strength Training	36.6%	53.2%	49.6%
Running/Jogging	28.5%	34.1%	34.1%
Horseback Riding	24.5%	17.6%	28.7%
Kayaking	18.2%	100.0%	18.6%
Mountain Biking	14.4%	17.4%	21.6%
Hiking (Overnight)	13.6%	16.0%	20.1%
Rafting	11.5%	13.4%	100.0%

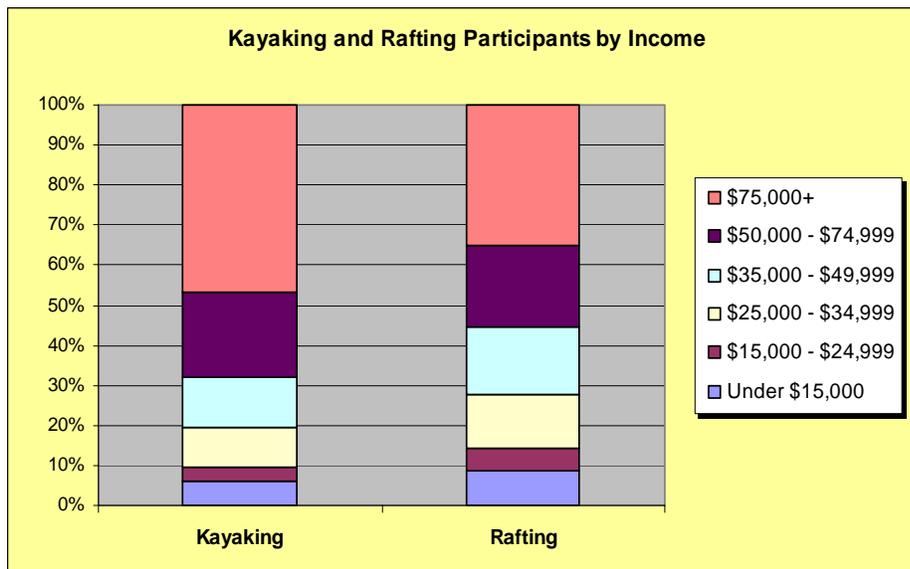
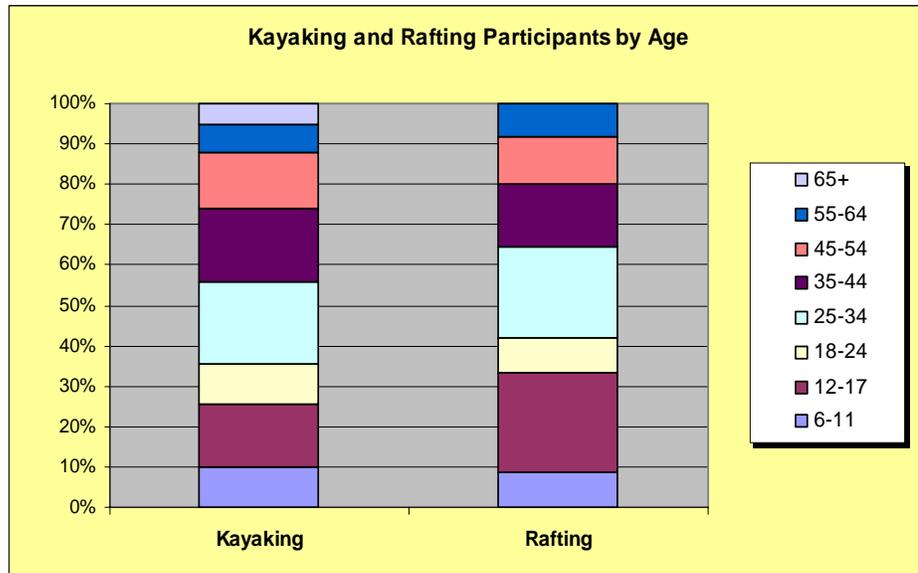
Source: SGMA International and Camoin Associates.

<sup>20</sup> Phone conversation with Christine Hoffman, Downtown Development Specialist, February 18, 2005.

As noted in Section 3.3, kayaking has grown in popularity over the last five years, increasing from 3.5 million participants in 1998 to 6.3 million participants in 2003. Rafting has decreased in popularity by roughly 20% over the same time period, from 5.6 million participants in 1998 to 4.6 million in 2003.

Based on U.S. Census data, interviews with outfitters, and participation rates published in the SGMA study, Camoin Associates estimates there are roughly 164,000 kayakers and 92,000 rafters living within a 3-hour drive of Watertown. However, due to exchange rates, duties, and an abundance of whitewater opportunities in Canada, only a small percentage of Canadian participants visit the U.S. The total potential market is therefore estimated to be 100,000 kayakers and 56,000 rafters.

In 2003, the average age for rafters was 29.8 versus 33.2 for kayakers. The single largest group of participants was young adults. Both sports have high rates of participation by the 12-17 year age range, suggesting the need for other recreational opportunities focused on this group. Serious whitewater kayakers, however, tend to be young, physically fit males.<sup>21</sup>



For both groups, average income levels are high and the percentage of individuals earning more than \$75,000 per year exceeds all other income ranges. For rafters, the average annual income was \$65,300, versus \$77,900 for kayakers. The high incomes of participants are related to other market demographics. The average age for each group is roughly 30 years of age. Also, over 50% of kayakers and 40% of rafters report

<sup>21</sup> Presentation of Results: Black River Corridor Economic Adjustment Strategy, Task C: Commercial Opportunities Related to Tourism Initiatives in the Black River Corridor.

living in a metro area exceeding 2 million in population. These factors are related to the willingness to travel. Studies have suggested travel times of 3 hours or more from major population centers is typical of whitewater use.<sup>22</sup>

In contrast, surveys of businesses involved in the river market in the Watertown/North Country area reveal that “serious” whitewater kayakers tend to have little disposable income. This suggests the need to cater to the remaining 85% of the market, which has a more casual approach to the sport.

Individuals are most likely to pursue rafting no more than 3 times annually. Kayakers are very similar, although they tend to participate at slightly higher levels. Given the high initial costs involved in pursuing kayaking (roughly \$2,000),<sup>23</sup> the data strongly suggests the need for local outfitters offering rentals and instruction.

Several studies have examined the economic impact of whitewater rafting, kayaking, and whitewater opportunities in general (see chart on following page). Economic multipliers, or the number of times a dollar is spent in the local area before being spent outside the area, can be used to calculate the total economic impact of expenditures. Multipliers calculated for whitewater destinations, including the Gauley River and the entire state of Colorado, range from 2.0 to 2.56. Average expenditures per trip typically exceed \$200, including travel, which may not impact the destination directly.

Expenditures By Whitewater Users				
River	Type of Visitor	Average Expenditures Per Person	Total Annual Commercial Users*	Source
Chattooga River (GA)	Rafters & Kayakers	\$354.97	26,000	Economic Impacts of Guided Whitewater Rafting: A Study of Five Cities (1997)
Chattooga River (SC)	Rafters & Kayakers	\$231.18		
Kennebec River	Rafters & Kayakers	\$275.51	36,000	
Nantahala River	Rafters & Kayakers	\$197.21	250,000	
Gauley River	Rafters & Kayakers	\$480.08	65,400	
American River	Rafters & Kayakers	\$123.72	156,000	American Whitewater 2000, Placer County Monitoring Project 2000, Nevada County 2000 Summary Report (Cited in Truckee River Recreation Plan, Cites Reports from 1995-1999)
Gauley River	Rafters & Kayakers	\$319.57	65,400	
Nantahala River	Rafters & Kayakers	\$104.00	250,000	
Ocoee River	Rafters & Kayakers	\$133.33	300,000	
Arkansas River	Rafters & Kayakers	\$202.18	275,000	
Clear Creek	Kayakers Only	\$36.10 - \$45.70	13,170	Preliminary Evaluation of the Beneficial Value of Waters Diverted in the Clear Creek Whitewater Park in the City of Golden (2002)
State of Colorado: All Rivers	Rafters & Kayakers	\$36.25 - \$40.62	NA	The Beneficial Value of Waters Diverted in the Blue River for the Breckenridge Whitewater Park and in Gore Creek for the Vail Whitewater Park (2002)
Truckee River	Rafters & Kayakers	\$111.96	NA	Truckee River Recreation Plan (2003)

\* Data in this column from *American Outdoors* and *American Whitewater*, *Truckee River Recreation Plan*.

Note: Expenditures per trip are not in consistent year dollars.

Whitewater events, on average, tend to attract as many as 300 participants and roughly 2,000 spectators.<sup>24</sup> Although detailed data is not available, festivals tend to be more successful than competitive

<sup>22</sup> J. Bowker and Donald English. Economic Impacts of Guided Whitewater Rafting: A Study of Five Rivers. *Water Resources Bulletin*. December 1996. Volume 32, Number 6.

<sup>23</sup> Hagenstad et al. *Preliminary Evaluation of the Beneficial Value of Waters Diverted in the Clear Creek Whitewater Park in the City of Golden*. Stratus Consulting, December 7, 2000.

<sup>24</sup> *Truckee River Recreation Plan*. Resource Concepts Inc. <http://www.rci-nv.com/reports/truckee/toc.asp>.

events. Listed below is data on several festivals and competitive events. Using the economic data detailed above, a festival that attracts 2,000 individuals would result in roughly \$600,000 in total expenditures. However, a portion of this total, most notably travel expenses, would not be spent locally.

Whitewater Festivals and Games					
Event	Location	Attendance	Participants	Duration	Purse
Boulder Creek Festival	CO	300,000	NA	3 days	NA
FIB Ark Festival	CO	5,000+	200+	3 days	\$2,000+
Gauley River Festival	NC	3,500	NA	3 days	\$15,000
Potomac River WW Festival	MD	3,000	150	2 days	\$5,000
Big Fork Whitewater Festivals	MT	2,500	200	3 days	NA
Kern River Festival	CA	2,000	200+	3 days	\$2,000
Clear Creek WW Festival	CO	800	100	2 days	NA
Subaru Gorge Games	WA	NA	NA	5 days	\$17,000
Ocoee Whitewater Games	TN	NA	300+	4 days	\$5,000
Animas River Days	CO	NA	200	3 days	\$5,000

Source: Cited in Truckee River Plan.

In 2001 Pennsylvania State University conducted a survey for America Outdoors with a focus on barriers to participation in outfitted trips.<sup>25</sup> An important finding of the survey was that price was *not* a major consideration. This result suggests that outfitters in the Watertown area should not focus on discounts as a means of increasing their business.

The study suggested marketing based on risk and time preferences. The surveys revealed that females were considerably less likely to pursue whitewater rafting based on their perception of the risk and physical demands involved, and that families were generally constrained by time. Thus, marketing materials should focus on the actual, minimal risks involved, and shorter trips that are available.

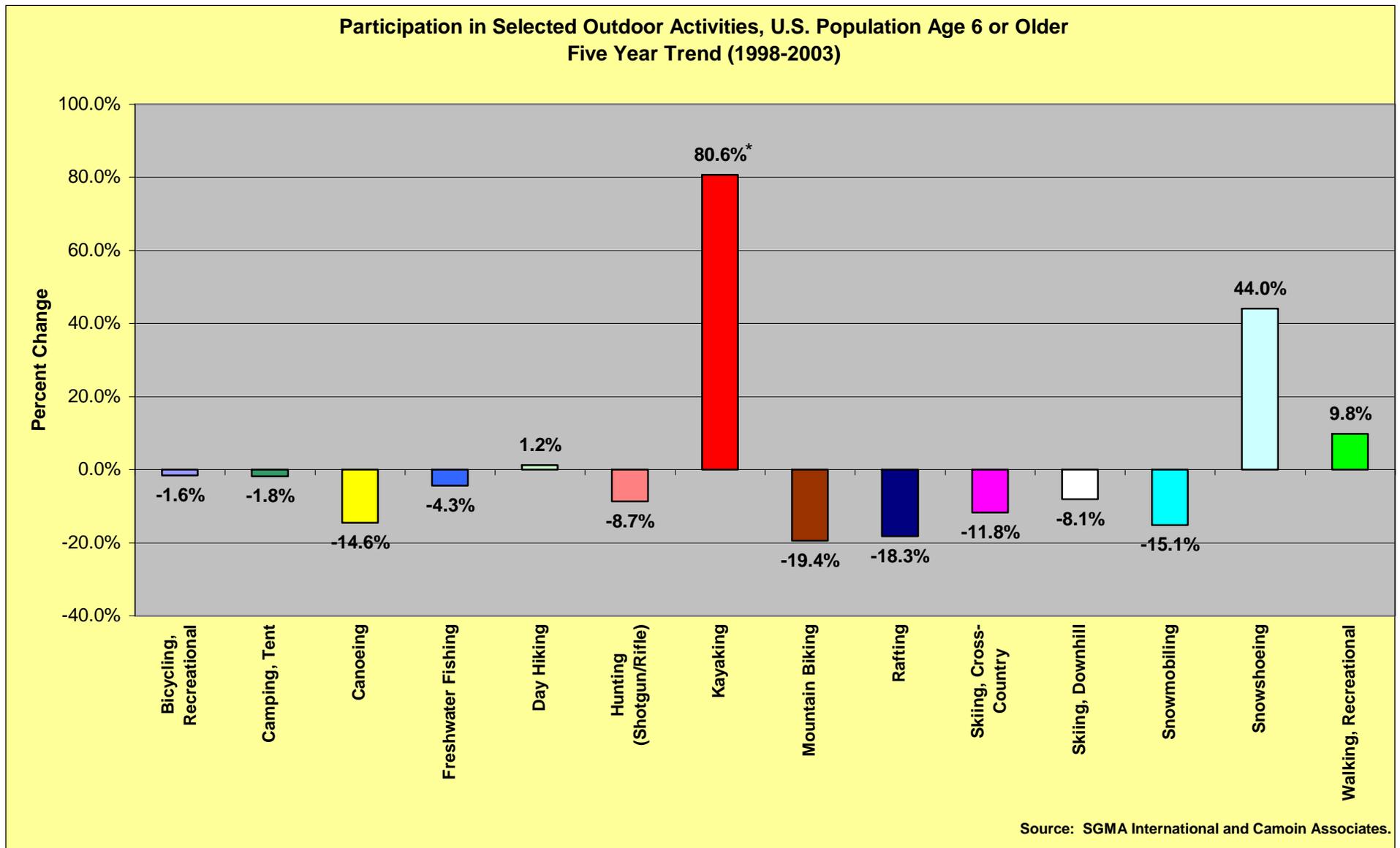
<sup>25</sup> Technical Report: Resolving Barriers for Participation in Outfitted Trips. Prepared by the Penn State School of Hotel, Restaurant, & Recreation Management for America Outdoors, July 2003.

### **Section 3.5: Summary**

Visitation to both Jefferson County and Watertown is largely related to recreational activities associated with water. Scenic cruises and boat cruises on Lake Ontario and the St. Lawrence River are the most popular attraction in the County. The importance of outdoor activities is also reflected in statistics available from the state parks within Jefferson County. However, lodging sales have declined in recent years, and the area does not attract large numbers of Canadian visitors.

Watertown represents an important portion of the overall visitor market in Jefferson County due to its cultural attractions, visitor amenities, and recreational opportunities available on the Black River. Although Watertown offers 34% of Jefferson County's lodging, the City lacks a private campground; as a result, many Black River users seek accommodations out of town.

Due to the rise in popularity of kayaking in the U.S. and the opportunities on the Black River, it is important for the City to capitalize on this growing market. The vast majority of growth in kayaking is in "flatwater" kayaking rather than the competitive "whitewater" kayaking. This suggests that the increase in activity of this sport is primarily from amateurs and families. Furthermore, data on kayakers suggests the need for local outfitters to offer rentals and instruction, and for the City to provide other outdoor recreational opportunities. Studies show that both kayakers and rafters tend to have low risk preferences and participate no more than three times per year. Therefore, it is critical to market kayaking and rafting as a family oriented activity with negligible risk, and to improve the Black River for these more casual users rather than focusing only on competitive users. This strategy may help in attracting the growing number of military families with children in Watertown.



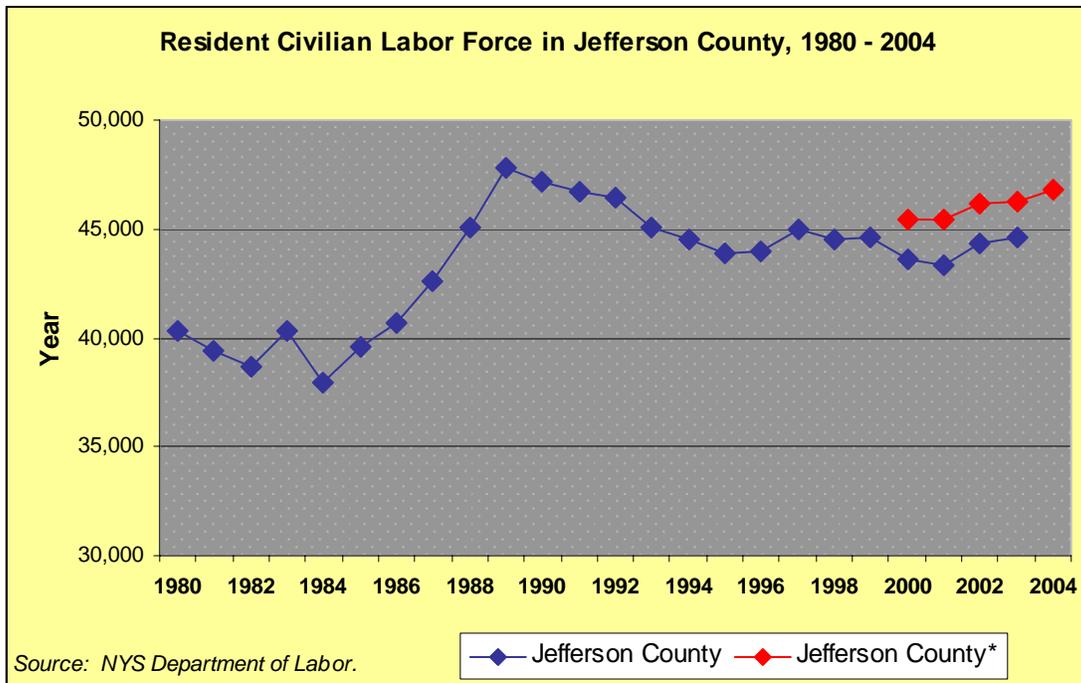
\* While the data shows an 80.6% increase in kayaking, it is important to note that the majority of this growth is attributable to the increasing popularity of “flatwater” kayaking from beginner-level users and families. There is less growth in competitive or “whitewater” kayaking.

## 4 JEFFERSON COUNTY ECONOMIC TRENDS

### Section 4.1: Resident Labor Force

Labor force estimates from the Local Area Unemployment Statistics (LAUS) program of the NYS Department of Labor provide the most up-to-date estimates of persons employed and unemployed by place of residence. The civilian labor force is comprised of civilians (not members of the Armed Services) who are aged 16 and older and employed or not working but actively looking for work.

The size of the civilian labor force in Jefferson County since 1980 has ranged from a low of 37,900 persons in 1984 to a high of 47,800 in 1989 (see chart below). In the last five years, there has been a steady increase in the resident civilian labor force.



Journey-to-work data from the Census show that 18,204 people worked in the City of Watertown in 2000.<sup>26</sup> The majority (92.2%) reported Jefferson County as their place of residence, including 41.9% residing in the City or the Town of Watertown.

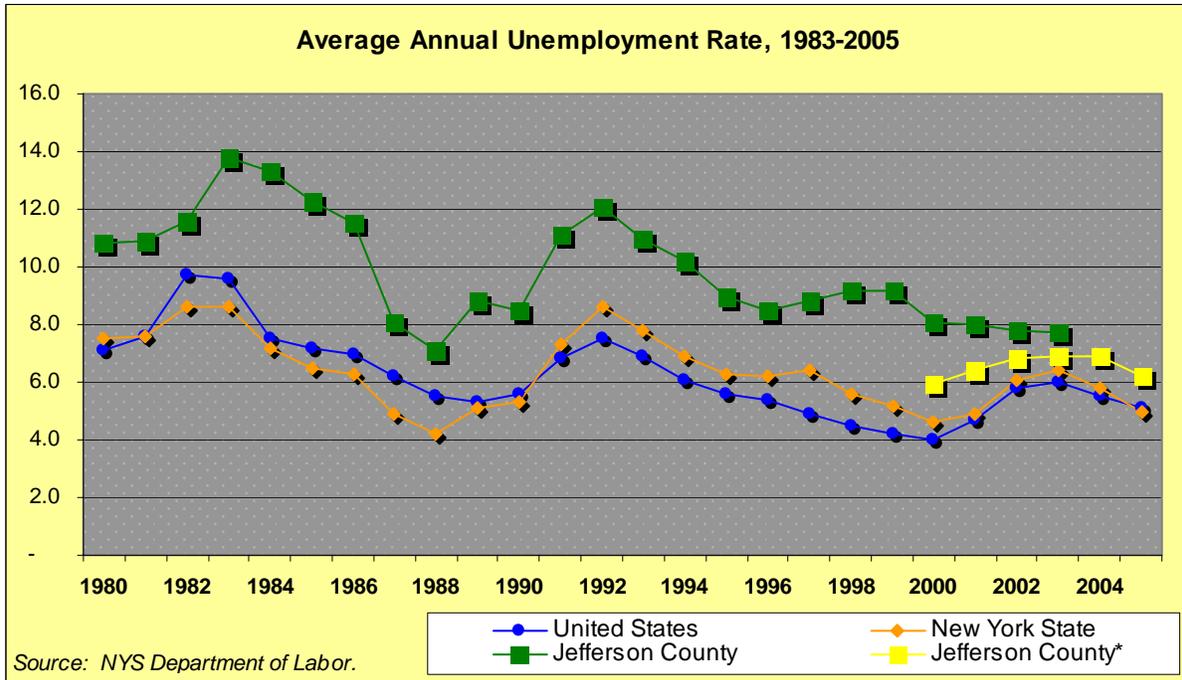
\* As part of the U.S. Department of Labor's Bureau of Labor Statistics nationwide re-estimating procedure, labor force statistics for years 2000 through 2005 for sub-state areas such as cities, counties and metropolitan statistical areas will be revised. Sub-state labor force statistics from January 2000 to present are not comparable to data from earlier years.

<sup>26</sup> Source: 2000 Census, Summary File 3, MCD/County-to-MCD/County Worker Flow File.

**Section 4.2: Unemployment Rates**

Although the arrival of more than 20,000 soldiers and family members at Fort Drum between 1988 and 1990 clearly had a stabilizing effect on the seasonal nature of the region’s economy, unemployment rates in Jefferson County have been consistently higher than state and national averages (see chart below.)

Statistics from the NYS Department of Labor indicate an unemployment rate of 6.0% in Jefferson County, compared to 5.6% for New York State as of December 2005 (the most recent data available).



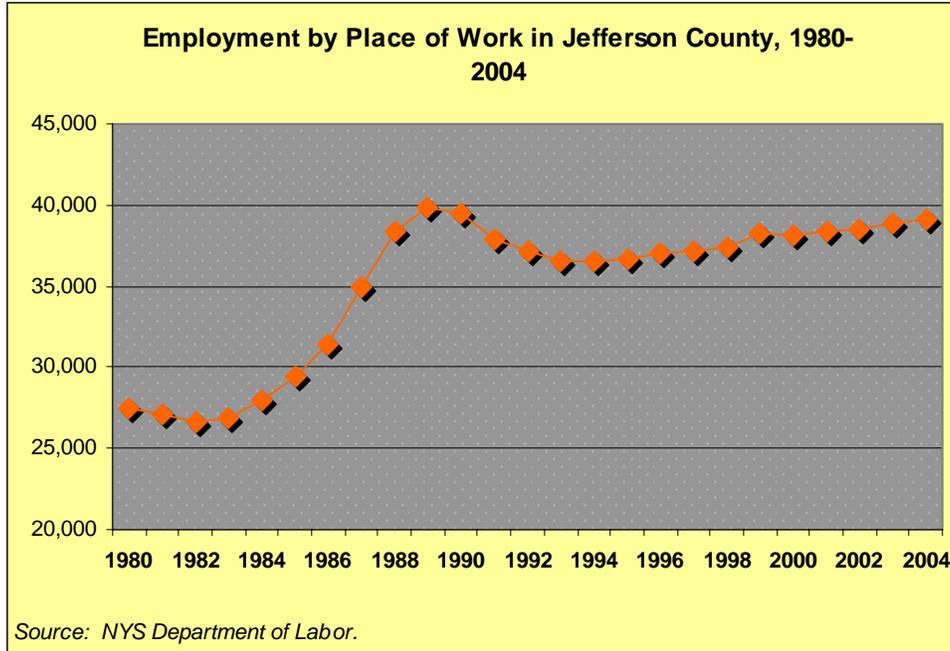
The months of highest unemployment in Jefferson County are during the winter, while the months of lowest unemployment are during the peak summer tourist season. In 2003, for example, unemployment rates ranged from a high of 9.8% in January and February to a low of 5.6% in August. In comparison, New York State unemployment rates that year ranged from 6.0% to 7.0%.

\* As part of the U.S. Department of Labor's Bureau of Labor Statistics nationwide re-estimating procedure, labor force statistics for years 2000 through 2005 for sub-state areas such as cities, counties and metropolitan statistical areas will be revised. Sub-state labor force statistics from January 2000 to present are not comparable to data from earlier years.

**Section 4.3: Employment by Industry**

Over the last twenty-five years, Jefferson County has experienced significant growth in employment. Data from the U.S. Department of Labor’s CEW/QCEW Program indicate that between 1980 and 1990, total employment across all industry sectors increased by nearly 12,000, from 27,381 to 39,439.<sup>27</sup> The growth rate of 44% easily exceeded that of both New York State (14%) and the nation (21%).

Employment peaked in 1990 as shown in the chart below. After declining to 36,497 in 1993, the number of jobs in Jefferson County has increased steadily in the years thereafter.



Employment by major industry division in Jefferson County, based on the Standard Industrial Classification (SIC) system, is presented in the table on the following page. The table shows industry employment trends in 1980, 1990, and 2000 and illustrates how the structure of the economy changed during this time. Manufacturing, for example, lost well over 2,000 jobs from 1980 to 2000 and its share of County employment declined from 23.0% to 10.5%. Conversely, the wholesale and retail trades gained a net 4,000 jobs, increasing its employment share from 20.6% in 1980 to 25.1% in 2000. The diverse service sector also experienced strong job growth, adding a combined total of 3,858 jobs.

Notably, the number of local, state, and federal government jobs in Jefferson County increased substantially. Some, but not all, of the growth in the public sector can be attributed to Fort Drum, as employment in local and state governments also increased (mostly during the 1980s). Nevertheless, the amount of government employment has helped to stabilize the local economy.

<sup>27</sup> The source of data used in this section is the U.S. Department of Labor’s Covered Employment & Wages Program, also known as ES-202. In 2003, the name of the Covered Employment and Wages (CEW) Program was changed to the Quarterly Census of Employment and Wages (QCEW) Program to better identify the data produced by this section of the U.S. economic statistics system. The CEW/QCEW Program measures employment by place of work and includes all employment covered under the New York State Unemployment Insurance Law. According to the NYS Department of Labor, CEW/QCEW covers an estimated 97% to 99% of total nonagricultural employment in the state; only the self-employed, student workers, unpaid family workers, and some agricultural workers are excluded.

Employment by Industry, Jefferson County, 1980-2000								
Industry	1980		1990		Change, 1980-1990	2000		Change, 1990-2000
	Number	Percent	Number	Percent		Number	Percent	
Construction	740	2.7%	1,656	4.2%	916	1,250	3.3%	-406
Manufacturing	6,334	23.0%	5,380	13.6%	-954	3,995	10.5%	-1,385
Transportation & Public Utilities	1,613	5.9%	2,179	5.5%	566	1,768	4.6%	-411
Wholesale & Retail Trade	5,669	20.6%	9,817	24.9%	4,148	9,581	25.1%	-236
Finance, Insurance, & Real Estate	1,171	4.3%	1,669	4.2%	498	1,261	3.3%	-408
Services	5,181	18.9%	7,705	19.5%	2,524	9,039	23.7%	1,334
<b>Total, All Private</b>	<b>20,897</b>	<b>76.0%</b>	<b>28,761</b>	<b>72.9%</b>	<b>7,864</b>	<b>27,236</b>	<b>71.3%</b>	<b>-1,525</b>
All Public Sector	6,583	24.0%	10,676	27.1%	4,093	10,944	28.7%	268
<b>Total, All Industries</b>	<b>27,481</b>	<b>100.0%</b>	<b>39,439</b>	<b>100.0%</b>	<b>11,958</b>	<b>38,180</b>	<b>100.0%</b>	<b>-1,259</b>

Source: U.S. Department of Labor, CEW/QCEW Program. Industry divisions based on the Standard Industrial Classification (SIC) system.

In 2000, the North American Industrial Classification System, or NAICS, replaced the older Standard Industrial Classification (SIC) system as the structure for classifying business activity in the United States. NAICS represents a fundamental shift in the way industries are classified and reported: where the SIC system focused on *what* is produced, NAICS focuses on *how* products and services are created. It also offers increased precision, particularly with respect to service-providing industries and new, 21<sup>st</sup> century categories such as software publishing and telecommunications.

One of the major disadvantages of the shift in industry classification systems, however, is the non-comparability of data. According to the NYS Department of Labor, data classified according to NAICS is *not* comparable with data based on the SIC; even industries that share the same name under SIC and NAICS do not have the same employment composition. As a result, recent data on employment by industry cannot be evaluated against information prior to 2000.

NAICS-Based Employment by Industry, Jefferson County, 2004			
Industry	Jefferson County		NYS
	Number	Percent	Percent
Utilities	326	0.8%	0.5%
Construction	1,492	3.8%	3.9%
Manufacturing	2,469	6.3%	7.2%
Wholesale Trade	986	2.5%	4.3%
Retail Trade	6,129	15.7%	10.4%
Transportation & Warehousing	1,264	3.2%	2.6%
Information	740	1.9%	3.2%
Finance & Insurance	851	2.2%	6.2%
Real Estate, Rental & Leasing	451	1.2%	2.2%
Professional, Scientific, & Technical Services	717	1.8%	6.2%
Management of Companies & Enterprises	197	0.5%	1.4%
Administrative & Waste Services	946	2.4%	5.1%
Educational Services	124	0.3%	3.2%
Health Care and Social Assistance	6,233	15.9%	13.9%
Arts, Entertainment, & Recreation	423	1.1%	1.6%
Accommodation & Food Services	3,382	8.7%	6.4%
Other Services	1,258	3.2%	3.8%
<b>Total, All Private</b>	<b>28,373</b>	<b>72.6%</b>	<b>82.9%</b>
All Public Sector	10,722	27.4%	17.1%
<b>Total, All Industries</b>	<b>39,095</b>	<b>100.0%</b>	<b>100.0%</b>

Source: U.S. Department of Labor, CEW/QCEW Program.

The table above presents the total employment in Jefferson County based on the North American Industrial Classification (NAICS) system in 2004, the most recent annual average data currently available. As the table shows, of the 39,095 people working in the County, 10,722 (27.4%) were employed by government, 6,129 (15.7%) were in retail trade, and 6,233 (15.9%) were in health care and social

assistance. The County also averaged 3,382 jobs in accommodation and food services (i.e., hotels, motels, and restaurants). Most other industries had a relatively modest presence.

The last column in the table provides data on the distribution of state employment by industry in 2004. Relative to New York State as a whole, Jefferson County had a lower proportion of its employment in wholesale trade, information, finance and insurance, professional services, and educational services, among others.

On the other hand, the County captures more than its fair share of employment in government, retail trade, and accommodation and food services. The government jobs include Fort Drum, which generates significant spin-off effects. According to its Economic Impact Statement for Fiscal Year 2004, Fort Drum is the largest employer in northern New York, employing 3,050 civilians and 14,055 soldiers in FY 2004.<sup>28</sup> A survey of Jefferson County residents conducted in 2004 found that more than one out of every five households – 24% – resides in Jefferson County because of civilian or military employment at Fort Drum.<sup>29</sup>

The high share of jobs in retail, accommodation and food services is indicative of the tourism-based economy. Tourism generates an estimated \$162 million in economic activity for Jefferson County, according to the Northern New York Travel and Tourism Research Center; revenues have been flat or declining for the past decade, however, with reportedly little investment in new properties or attractions. According to the Jefferson County Tourism Profile, annual average employment in tourism-related industry categories – lodging, eating and drinking establishments, and amusement and recreation establishments<sup>30</sup> – has hovered around 4,500 to 4,800 over the past several years.

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<sup>28</sup> This does not include the National Guard and Reserve members that train at Fort Drum.

<sup>29</sup> *Presentation of Results: The Fifth Annual Survey of the Community*. Center for Community Studies at Jefferson Community College, May 2004.

<sup>30</sup> Not all revenue in these industries is based on tourism; restaurants, for example, serve residents as well as travelers. Conversely, tourism revenue is a component of many industries that are not considered tourism-related. The NYS Department of Labor, however, typically uses these three categories to assess economic trends in the tourism industry.

#### **Section 4.4: Nonemployer Businesses by Industry**

Nonemployer statistics provide economic data by industry for businesses that have no paid employees and are subject to federal income tax. Compiled by the U.S. Census Bureau since 1997, the series is useful for studying the economic activity of small businesses and entrepreneurs.

A nonemployer business is defined as a business that has no paid employees, has annual business receipts of \$1,000 or more (\$1 or more in the construction industries), and is subject to federal income taxes. Most nonemployers are self-employed individuals operating very small, unincorporated businesses that may or may not be the owner's principal source of income.

According to the Census Bureau, Jefferson County had a total of 4,914 nonemployer establishments in 2003, the most recent year for which data are available (see table below). These businesses had receipts of more than \$159.7 million, or an annual average of \$32,496.

The largest segment of nonemployer businesses in Jefferson County, with 841 establishments, was in other services. Establishments in this sector are primarily engaged in activities such as equipment repair, automotive repair and maintenance, and providing dry cleaning and laundry services, personal care services, and pet care. The County also had 718 retailers, 685 construction firms, and 590 health care providers classified as nonemployers. There is a large number of nonemployer businesses in the real estate industry because agents and brokers typically operate as independent agents rather than employees.

Many of the nonemployer establishments had significant receipts in 2003, increasing the probability that they provide a steady source of income for their owners. Annual receipts of Jefferson County nonemployers averaged \$39,340 for retail businesses and \$53,833 for accommodation and food services, for example.

Notably, annual average receipts are generally higher than annual average wages for employed workers in the region, although there are differences in how receipts and wages are defined. In 2003, for example, annual average wages in Jefferson County were \$28,238 for all industries, according to data from the NYS Department of Labor.

<b>Nonemployer Statistics by Industry, Jefferson County, 2003</b>				
Industry	Establishments		Receipts	
	Number	Percent	Total (000)	Average
Forestry, Fishing, Hunting / Agricultural Support	105	2.1%	\$3,015	\$28,714
Construction	685	13.9%	\$23,554	\$34,385
Manufacturing	86	1.8%	\$3,726	\$43,326
Wholesale Trade	89	1.8%	\$6,741	\$75,742
Retail Trade	718	14.6%	\$28,246	\$39,340
Transportation & Warehousing	247	5.0%	\$12,611	\$51,057
Information	51	1.0%	\$948	\$18,588
Finance & Insurance	118	2.4%	\$4,418	\$37,441
Real Estate, Rental & Leasing	390	7.9%	\$20,962	\$53,749
Professional, Scientific, & Technical Services	379	7.7%	\$10,536	\$27,799
Administrative & Waste Services	234	4.8%	\$4,631	\$19,791
Educational Services	69	1.4%	\$517	\$7,493
Health Care and Social Assistance	590	12.0%	\$10,715	\$18,161
Arts, Entertainment, & Recreation	185	3.8%	\$3,611	\$19,519
Accommodation & Food Services	108	2.2%	\$5,814	\$53,833
Other Services	841	17.1%	\$19,144	\$22,763
<b>Total, All Industries</b>	<b>4,914</b>	<b>100.0%</b>	<b>\$159,685</b>	<b>\$32,496</b>

Source: U.S. Census Bureau, 2003 Economic Census, Nonemployer Statistics.

## 5 RETAIL SALES

This section examines retail trends in the City of Watertown and the surrounding Watertown Trade Area, identifying potential market opportunities based on current and potential sales, consumer demand, and the “leakage” of consumer dollars outside the local economy.

### Section 5.1: City of Watertown Retail Sales Profile

The table below profiles the retail sector in the City of Watertown. It includes the total number of establishments, estimated sales, and the distribution of sales for each store type. Based on data provided by Claritas-Business Facts, which includes data from infoUSA, 337 retailers in the City of Watertown generate an estimated \$514.8 million in annual sales. This represents approximately 26% of all retail sales in the trade area.

Retail Sales Profile - City of Watertown			
Store Type	Store Count	Estimated Total Sales (millions)	Sales Distribution
<b>Eating &amp; Drinking Places</b>	<b>91</b>	<b>\$66.9</b>	<b>13.0%</b>
<b>Convenience Retail</b>	<b>94</b>	<b>\$331.5</b>	<b>64.4%</b>
Building Materials & Garden Supply	27	\$70.4	13.7%
Grocery Stores	23	\$112.9	21.9%
Food Stores (Other Than Grocery)	10	\$4.6	0.9%
Drug Stores	10	\$24.5	4.8%
Automotive Dealers	11	\$101.6	19.7%
Gasoline Service Stations & Auto Supply	13	\$17.5	3.4%
<b>Shoppers' Goods Retail</b>	<b>152</b>	<b>\$116.4</b>	<b>22.6%</b>
General Merchandise	6	\$15.0	2.9%
Apparel & Accessory Stores	14	\$4.6	0.9%
Furniture & Home Furnishings Stores	18	\$21.0	4.1%
Household Appliance Stores	8	\$7.7	1.5%
Radio, TV, & Computer Stores	20	\$19.6	3.8%
Liquor Stores	4	\$1.1	0.2%
Used Merchandise & Antique Stores	8	\$2.2	0.4%
Sporting Goods, Bicycle and Gun Stores	7	\$0.9	0.2%
Book Stores	4	\$0.4	0.1%
Stationery Stores	3	\$8.1	1.6%
Jewelry Stores	4	\$1.0	0.2%
Hobby, Toy, and Game Shops	3	\$0.3	0.1%
Camera/Photographic Supply Stores	0	\$0.0	0.0%
Gift and Souvenir Stores	13	\$3.3	0.6%
Sewing, Needlework, and Craft Stores	1	\$0.8	0.2%
Florists	5	\$1.9	0.4%
News Dealers & Newsstands	2	\$0.3	0.1%
Pet Shops	3	\$5.3	1.0%
All Other Retail Stores	29	\$22.9	4.4%
<b>Total Retail Sales</b>	<b>337</b>	<b>\$514.8</b>	<b>100.0%</b>

Source: Claritas Data Services and Camoin Associates, Inc.

CITY OF WATERTOWN  
Economic & Market Condition Analysis

The retail categories with the highest sales in the City of Watertown include grocery stores (\$112.9 million), automotive dealerships (\$101.6 million), building materials and garden supply stores (\$70.4 million), and eating and drinking places (\$66.9 million). Nearly two-thirds of the retail sales generated within the City – compared with less than half of sales statewide – are in the “convenience retail” category; in contrast, shoppers’ goods retail, which compete for customers based on quality, price, and selection rather than convenience, are somewhat underrepresented, accounting for 22.6% of total sales.

**Section 5.2: Watertown Trade Area**

Retailers in the Watertown Trade Area comprise an estimated 1,362 establishments generating about \$2.0 billion in annual sales. The leading retail categories in the trade area include automotive dealers (\$675.3 million), grocery stores (\$325.9 million), eating and drinking places (\$217.9 million), building materials and garden supply (\$182.5 million), and general merchandise (\$142.3 million). These five categories contribute more than 75% of total retail sales within the trade area.

<b>Retail Sales Profile - Watertown Trade Area</b>			
<b>Store Type</b>	<b>Store Count</b>	<b>Estimated Total Sales (millions)</b>	<b>Sales Distribution</b>
<b>Eating &amp; Drinking Places</b>	<b>399</b>	<b>\$217.9</b>	<b>10.9%</b>
<b>Convenience Retail</b>	<b>485</b>	<b>\$1,390.5</b>	<b>69.4%</b>
Building Materials & Garden Supply	112	\$182.5	9.1%
Grocery Stores	123	\$325.9	16.3%
Food Stores (Other Than Grocery)	48	\$41.8	2.1%
Drug Stores	30	\$64.4	3.2%
Automotive Dealers	80	\$675.3	33.7%
Gasoline Service Stations & Auto Supply	92	\$100.6	5.0%
<b>Shoppers' Goods Retail</b>	<b>478</b>	<b>\$394.0</b>	<b>19.7%</b>
General Merchandise	34	\$142.3	7.1%
Apparel & Accessory Stores	46	\$32.3	1.6%
Furniture & Home Furnishings Stores	47	\$34.4	1.7%
Household Appliance Stores	14	\$12.0	0.6%
Radio, TV, & Computer Stores	56	\$48.6	2.4%
Liquor Stores	22	\$4.4	0.2%
Used Merchandise & Antique Stores	26	\$6.0	0.3%
Sporting Goods, Bicycle and Gun Stores	41	\$11.1	0.6%
Book Stores	9	\$1.3	0.1%
Stationery Stores	6	\$9.9	0.5%
Jewelry Stores	11	\$2.7	0.1%
Hobby, Toy, and Game Shops	8	\$2.2	0.1%
Camera/Photographic Supply Stores	1	\$1.2	0.1%
Gift and Souvenir Stores	52	\$14.8	0.7%
Sewing, Needlework, and Craft Stores	5	\$1.2	0.1%
Florists	20	\$4.7	0.2%
News Dealers & Newsstands	3	\$0.5	0.0%
Pet Shops	6	\$6.7	0.3%
All Other Retail Stores	71	\$57.7	2.9%
<b>Total Retail Sales</b>	<b>1,362</b>	<b>\$2,002.4</b>	<b>100.0%</b>

Source: Claritas Data Services and Camoin Associates, Inc.

### **Section 5.3: Sales Leakage Analysis**

The demand for goods and services that is not being met locally is referred to as *sales leakage*. The leakage occurs because consumers make purchases at establishments outside the area or even outside the state via mail order and Internet sales. Purchasing decisions are typically influenced by one or more factors: convenience (e.g., stopping at a store located on the way to or from work), opportunity, quality, price, service, selection, and marketing.

Sales leakage is calculated as the difference between the total retail spending of area residents, regardless of where the money is spent, and the total retail purchases made within the trade area. For instance, if trade area residents are spending a total of ten million dollars on groceries, but total trade area grocery sales are only six million dollars, it is assumed that four million dollars of grocery sales are “leaking” out of the trade area – i.e., some residents are leaving the trade area to purchase their groceries. This leakage represents an opportunity for local businesses to recapture business leaving the area. If the total sales are more than resident purchases, there is a sales surplus, which means non-residents (i.e., visitors and seasonal residents) are coming into the trade area to make purchases.



The table on the following page shows the leakage and surplus sales for various categories of retail in the City of Watertown and the larger trade area. Both areas evidence a substantial net inflow of sales dollars due to spending by non-residents. The sales leakages in the City of Watertown total \$5.7 million, offset by sales surpluses in certain categories totaling \$350.0 million, for a net inflow of \$344.3 million; in the Watertown Trade Area, sales leakages total \$72.2 million, offset by sales surpluses of \$1,028.7 million, for a net inflow of \$956.5 million.

In the trade area, sales leakage is highest for radio, TV, and computer stores (\$33.0 million); apparel stores (\$7.4 million); furniture and home furnishings stores (\$4.0 million); jewelry stores (\$3.5 million); camera stores (\$3.3 million); and food stores other than grocery (\$2.8 million).<sup>31</sup> Recapturing a portion of the sales leakage represents a potential opportunity for additional establishments as well as associated tax revenues in Watertown. Retail categories that are particularly strong in capturing consumer demand – as evidenced by a sales surplus – include automotive dealers, grocery stores, hardware and garden supply stores, and general merchandise; however, many of these retail types are located *outside* the City limits.

<sup>31</sup> Non-grocery food stores include fish markets, bakeries, butcher shops, produce markets, candy stores, health food stores, etc.

<b>Sales Leakage Analysis - City of Watertown &amp; Watertown Trade Area</b>		
Store Type	Estimated Surplus or Leakage (millions)	
	City of Watertown	Watertown Trade Area
<b>Eating &amp; Drinking Places</b>	<b>\$42.8</b>	<b>\$69.9</b>
<b>Convenience Retail</b>	<b>\$246.4</b>	<b>\$868.5</b>
Building Materials & Garden Supply	\$56.1	\$95.0
Grocery Stores	\$89.8	\$184.4
Food Stores (Other Than Grocery)	(\$2.7)	(\$2.8)
Drug Stores	\$18.7	\$28.6
Automotive Dealers	\$75.1	\$512.6
Gasoline Service Stations & Auto Supply	\$9.4	\$50.7
<b>Shopping Goods Retail</b>	<b>\$55.1</b>	<b>\$18.2</b>
General Merchandise	\$2.6	\$66.1
Apparel & Accessory Stores	(\$1.9)	(\$7.4)
Furniture & Home Furnishings Stores	\$14.7	(\$4.0)
Household Appliance Stores	\$6.3	\$3.7
Radio, TV, & Computer Stores	\$6.3	(\$33.0)
Liquor Stores	\$0.5	\$0.7
Used Merchandise & Antique Stores	\$1.4	\$1.0
Sporting Goods, Bicycle and Gun Stores	\$0.1	\$6.3
Book Stores	(\$0.1)	(\$1.9)
Stationery Stores	\$6.5	(\$0.2)
Jewelry Stores	(\$0.0)	(\$3.5)
Hobby, Toy, and Game Shops	(\$0.3)	(\$1.7)
Camera/Photographic Supply Stores	(\$0.7)	(\$3.3)
Gift and Souvenir Stores	\$2.0	\$6.6
Sewing, Needlework, and Craft Stores	\$0.6	\$0.1
Florists	\$1.3	\$1.2
News Dealers & Newsstands	\$0.2	(\$0.3)
Pet Shops	\$4.5	\$2.0
All Other Retail Stores	\$11.2	(\$14.2)
<b>Total Sales Leakage (millions)</b>	<b>(\$5.7)</b>	<b>(\$72.2)</b>
<b>Total Sales Surplus (millions)</b>	<b>\$350.0</b>	<b>\$1,028.7</b>
<b>Net Inflow (Outflow)</b>	<b>\$344.3</b>	<b>\$956.5</b>

#### **Section 5.4: Other Findings**

Through the discussion of local, regional, and visitor markets at the November 2004 business focus group, a number of business and market opportunities were identified, including:

- Ethnic foods. With the high minority population at Fort Drum, there is a need for food stores and/or restaurants offering ethnic foods, such as Mexican. Military personnel often come from urban areas where it is much easier to find these types of goods.
- Higher-quality clothing suitable for work. The malls in the Watertown area have a limited selection of quality clothing, so many residents shop online or travel to Syracuse and other areas to find what they want. Downtown could use more apparel stores to develop critical mass and a greater breadth of selection. (It was later noted that a downtown consignment shop has attracted many people looking for work clothing.)
- Fine dining restaurants. Higher-end restaurants in Watertown are doing very well, but none of these restaurants are downtown.

A telephone survey conducted by Bridge Associates in 1997 provided anecdotal information on local retail needs. Clothing and furniture/home furnishings were the leading areas of unmet consumer demand, according to the survey. In fact, the need for “high quality apparel with increased size selection” was the top response to the survey. Many respondents reported meeting these needs by shopping outside the area or by catalog. Other areas of demand included more upscale (non-discount) merchandise in general, gourmet foods/groceries and national recognized chain restaurants such as The Olive Garden.<sup>32</sup>

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<sup>32</sup> *Retail Opportunities in Watertown, New York.*

### **Section 5.5: Summary**

An analysis of retail sales reveals that the Watertown Trade Area has a large net sales surplus, reflecting the number of non-residents purchasing goods and services in the area. The surplus is evident in several categories potentially related to the tourism economy, such as eating and drinking places. There is also a surplus related to building materials and garden centers. Strong sales in this category are typically associated with construction activity and active housing markets, suggesting that seasonal homes in the region represent a significant economic boon.

Notably, with the exception of food stores, sales leakage is highest in so-called shoppers' goods categories where there tends to be more variety in price and quality: radio, TV, and computer stores; jewelry stores; furniture and home furnishing stores; hobby, toy, and game shops; and camera stores, among others. While the data do not indicate the extent to which the leakage may be associated with the demand for particular types of merchandise (e.g., "luxury" items), previous market studies have highlighted the demand for more upscale goods in the region.

The trade area also evidences a significant level of sales leakage in food stores other than grocery. This data coincides with results of the business focus group and suggests that minorities based at Fort Drum can be better served by area businesses.

The City of Watertown can capitalize on these opportunities by promoting new business development that focuses on categories of sales leakage appropriate to the tourism-based economy, and/or other specific areas of demand, such as Fort Drum families, seasonal residents, and upper middle-class households with college degrees and high levels of disposable income.

## 6 DOWNTOWN BUSINESS DISTRICT SURVEY FINDINGS

In fall 2004, the Center for Community Studies (CCS) at Jefferson Community College conducted an inventory of businesses and buildings located in downtown Watertown. The study involved two primary methods of data collection: (1) an on-site inventory of approximately 210 commercial and mixed-use buildings (excluding churches, schools, government buildings, and single-family residential properties) by size and utilization; and (2) a mail survey of 350 businesses currently located in the downtown business district. With follow-up conducted by the CCS, the latter had a 50% response rate, yielding 175 completed surveys.



The information from the business survey complements the quantitative data on the Watertown market. Highlights of the downtown business district survey findings are listed below.

- Asked to identify their primary business activity, the largest share of the respondents, 26%, reported that they were in retail sales, while 13% said they provided professional, scientific, or technical services, including legal services. Establishments in the finance, insurance, or real estate (FIRE) industry and health care businesses each accounted for 10% of the survey respondents, followed by food services (restaurants and taverns) with 7%.
- According to the survey results, 46% of downtown Watertown businesses have been at the same location for more than ten years, while 19% have been there for between five and ten years. Only 5% of the respondents have been operating for less than a year.
- Fully 35% of downtown businesses own their buildings. Asked to indicate their level of satisfaction with their present location, 59% said they were very satisfied, while 34% said they were *somewhat* satisfied.
- Downtown businesses employ between 1 and 165 workers, with an average of 10.7. However, 45% can be described as microenterprises, as they have five or fewer employees. (Based on the

survey results and data on public employers, the City’s Downtown Development Specialist estimates that downtown Watertown has 5,200 employees.)

- A total of 93 business owners, or 61%, reported that their sales had increased over the past two years, including 41 (27%) who indicated that their sales increased by more than ten percent. Thirty-two businesses (21%) reported a decline in sales activity. Increased or decreased sales do not appear to be associated with any specific type of business; however, more than 60% of the businesses that have been in downtown Watertown for ten years or more reported an increase in sales.
- Factors reported to have contributed the most to *decreased* sales included general economic conditions and troop deployment. *Increased* sales, on the other hand, are attributed to factors such as advertising, the work strategy of the business, customer service, and referrals as well as growth at Fort Drum.
- Asked to identify their primary geographic market, 27% described it as the City of Watertown, 33% as Jefferson County, and 33% as the North Country. Interestingly, *all* of the food service businesses that responded identified their primary market as the City of Watertown, suggesting that diners from Fort Drum and other parts of the trade area do not generally frequent downtown restaurants. In terms of the “typical” customer, 55% of survey respondents described him or her at between the ages of 25 and 44, and 21% as between 45 and 54.
- Based on what they hear from customers, downtown business owners believe that the types of attractions, stores, or services needed to make Watertown more visitor-friendly are *fine-dining restaurants* (selected by 29% of respondents), a *year-round indoor farmers market* (22%), *musical performances* (22%), *ethnic restaurants* (19%), *theater performances* (18%), a *movie theater* (16%), *antique stores* (14%), *specialty food stores* and a *book store* (each 13%). A business offering *boat, canoe, and kayak rentals* was selected by 12% of the respondents.
- Businesses identified a number of gaps in the current mix of goods and services that should be made available in downtown Watertown: a *grocery store* (selected by 31% of the respondents), a *clothing store* (27%), and more *restaurants* (19%). All other options presented were selected by fewer than 10% of the survey respondents.
- In terms of improvements to the downtown, business owners are most supportive of overall beautification (42%), building façade improvements (37%), additional off-street parking (37%), sidewalk improvements (34%), more special events and festivals (29%), and landscaping (28%).
- Many of the respondents have specific plans for their business over the next 12-24 months. These changes are generally positive; in fact, 60% plan to expand or make improvements, such as expanding services or product lines, hiring additional employees, and renovating space. Twenty-five percent don’t plan any changes to their business. Only 8 are considering moving out of the downtown.

## FINDINGS AND CONCLUSIONS

This analysis has described the overall market conditions and identified a number of potential opportunities based on characteristics of supply and demand in the trade area:

- The trade area is experiencing an increase in resident population and household income levels are rising. It is estimated that 9.5% of the households in the trade area have incomes of \$100,000 or above. A majority of this growth can be attributed to demographic changes, as the number of households headed by individuals between the ages of 45 and 64 – peak earning years – is increasing.
- There is a considerable seasonal population in the trade area, with 6,000 seasonal homes on the tax rolls in Jefferson County alone. Seasonal residents represent an important target market, as they tend to have above-average income levels and spend more than the average year-round resident on specialty retail, dining, and entertainment.
- Market segmentation data indicate a trade area market comprised primarily of moderate-income to middle-class families and couples with interest in traditional small town or rural pursuits. These households tend to shop at discount stores and dine at value-priced or fast-food restaurants.
- As a special segment of the trade area market, the Fort Drum market is generally characterized as young, ethnically diverse, and well-educated. The majority of households living on-base include children under age 18. It may be worthwhile for the City to commission a survey, via base command or the Fort Drum Regional Liaison Organization, of soldiers and their families to get a better understanding of their consumer spending patterns, entertainment preferences, and lifestyle behaviors, as this information is not available through standard demographic data sources.
- Based on information provided by Fort Drum, the third brigade assigned to the 10<sup>th</sup> Mountain Division will add more than 5,000 soldiers and 4,708 family members to the trade area market by 2009. The new brigade is expected to impact not only the overall size of the market, but also the demand for goods and services, as many of the additional households have higher than average income levels. In fact, as a result of the new brigade, the aggregate income in the trade area is projected to increase by more than \$208 million, *excluding* spousal earnings or other sources of household income. This could increase retail opportunities substantially in the Watertown trade area.
- Data on participation in outdoor recreation in the U.S. suggests an inverse relationship between the frequency of participation in a particular recreational activity and the income levels of participants. Freshwater fishing enthusiasts, for example, participate approximately 16 days per year but have household income levels below the national average. Kayakers, on the other hand, participate 7 days per year on average, but have household income levels well above the national average. “Serious” whitewater kayakers reportedly have less disposable income than casual participants in the sport.
- The data also show a high level of cross-participation among recreational users. Kayakers, for example, are also frequent participants in freshwater fishing, bicycling, canoeing, and camping. This suggests the need to provide access to multiple outdoor recreational activities.

- The Black River clearly provides an opportunity for the City of Watertown to capitalize on the already strong market for water-based recreation in the region. Various studies suggest, however, that riverfront festivals offering a mix of activities tend to be more successful (and lucrative) than competitive events that target “hard core” kayakers. According to outfitters and guides in the Watertown area, most participants in canoeing, kayaking, and rafting tours are “entry level” or casual users with interest in a range of recreational pursuits. We recommend that the City focus on ways to lower barriers to river use by, for example, making it easier to rent bikes and kayaks, offering instruction to beginners, and/or providing transportation between launch sites and convenient “rendezvous points” located near downtown restaurants and stores.
- The City of Watertown has established itself as a destination for shopping, as evidenced by its large net sales surplus. This may present an opportunity for spin-off economic activity, particularly in the downtown business district. A customer intercept study targeting Public Square and adjacent areas was conducted under the aegis of the Center for Community Studies at Jefferson Community College in 2000. It is recommended that an update of this survey be conducted in 2006 to identify additional amenities that would attract more residents and visitors downtown.
- Based on the sales leakage analysis, focus group discussions, and recent downtown business survey, specific opportunities for business development and expansion in downtown Watertown include:
  - *restaurants* – fine dining and/or ethnic restaurants in particular;
  - *apparel and accessory stores* – women’s/men’s/kids’ clothing, high quality apparel for work;
  - *specialty food stores* – gourmet foods and groceries, ethnic food items, year-round farmer’s market;
  - *specialty retail stores* – in particular, jewelry, photography and art supplies, hobby and toy shops;
  - *entertainment venues* – for music and theater performances, particularly during the tourist season, to expand on Watertown’s cultural assets and make the downtown into a destination for entertainment.