

City of Gallup, New Mexico

# MARKET STUDY 2020





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## INTRODUCTION

Gallup is an often-overlooked location for expanding retail and dining chains. Using typical assumptions and data, it appears that the city has a relatively small market, and one that is predominantly low income. What is usually missed is the size of the city's trade area, the city's strong visitor traffic, and the peculiarities of income and spending within the large Native American communities making up a majority of trade area population. All of these help to paint a much more attractive market opportunity.

This study was completed in 2020 to evaluate the potential for commercial and lodging development in the City of Gallup, to identify specific targets for recruitment or business development, and to develop marketing resources that used to conduct a retail attraction campaign.

### Approach to the analysis

The methods used in this analysis were guided by an understanding of the current practice of retail site

selection. In the era of Big Data, retail companies have a great deal of internal and external data to use in considering store locations. While local governments, commercial brokers, property owners, and consultants may have access to external sources, they do not have the much richer in-store and online sales data, loyalty program data, and in-store tracking data available to the chains.

Organizations without access to retail chain data are at a disadvantage when performing market analyses. While the analysis may identify the right businesses

to target, how can it provide value in marketing the site, when the chains have better data to assess the opportunity? The answer lies in providing external information that is not available, or obvious to the chains.

In the case of Gallup, the demographic databases used to screen opportunities omit significant information, casting the city in an unfavorable light as a location. These databases underestimate the true income available within the market, and do not consider the sizable contributions of visitor spending. By adding in the income produced in the underground economy, additional disposable income resulting from health care and housing services provided at no cost to tribal members, and visitor spending, the City of Gallup can be seen as a far more attractive target for new store development.

## Significant findings

Gallup has significant opportunities to attract new retail, dining, and lodging establishments through a combination of chain business attraction and startups. Chain businesses play an important role in retaining trade area customers who might otherwise leave the city to shop in communities where these businesses are located. When they stay to shop locally, they will also tend to spend more with local independent retail businesses and restaurants.

The city's trade area is very large, extending more than an hour from the city center, or further. This takes in much of the Navajo and other reservation lands, and Native Americans make up about four of five trade area residents.

Over six million visitors pass through the city every year, but fewer than half of them stop, even just for a short time. The potential of this market is

substantial. This is especially true for eating and drinking, where the visitor market potential exceeds that of trade area residents.

Aside from developing a program for retail, dining, and lodging business attraction, the City and the Gallup EDC can take other measures to develop a more vibrant commercial sector, including developing and packaging sites and buildings, encouraging business formation, and capitalizing on Historic Route 66.

## Attraction targets

The following businesses were identified as priority targets for a retail attraction campaign.

- Advance Auto Parts
- Big O Tires
- Discount Tire
- American Home Furniture and Mattress
- Carpet One Floor and Home
- Flooring America
- Floor Trader of Farmington
- Kiva Carpet and Tile
- Lloyd's Carpet and Draperies
- Lowe's
- Bashas'
- El Super
- Aldi\*
- Christopher and Banks
- Buckle

- Torrid
- Zapaterias Pedrito
- Cavender's
- PetSense
- Petco
- Savers
- Salvation Army Thrift Store
- Burlington
- TJ Maxx
- Marshall's
- Ross Stores
- Target
- C-A-L Ranch Supply
- Big R
- Costco
- Sam's Club

Aldi should be viewed as a long-term prospect as the chain develops a presence in the western states.

Restaurant chains that may be considered for attraction include the following.

- Cattle Baron
- Chipotle
- Culver's
- Dunkin
- Great Harvest Bread Company
- IHOP
- Old Chicago

- Panera
- Perkins
- Qdoba
- Ruby Tuesday
- Taco John's
- Village Inn
- Whiskey Creek

The opportunity for additional lodging development will open as demand grows to occupy the

number of new rooms that have been added in recent years. This will likely take two to four years. The need for new rooms will be at the upper mid-scale or higher tier, and could include remodeling of one or more motor courts as a Route 66-themed historic inn. Lodging chains not presently found in Gallup include:

- Cambria (Choice Hotels)
- Candlewood Suites (IHG)
- Clarion (Choice Hotels)
- Cobblestone Inns & Suites

- Country Inn & Suites (Radisson)
- Courtyard by Marriott
- Drury Inns & Suites

Lastly, there are numerous opportunities for existing businesses to capture greater market share, and for startup businesses in both the retail and dining segments.



## MARKET AREA CHARACTERISTICS

Gallup has several qualities that make it stand out from other places, and may call for added measures when performing a market analysis. These include:

- An unusually large trade area
- A sizable underground economy
- Differing household expenditures
- A very strong visitor market

The effect is to generate far more market potential than what is shown in a less careful analysis, and to

signal a greater potential for the city to attract retail and dining businesses.

The reasoning and methodology for incorporating these issues into the market analysis will be explained in this chapter, which will define the trade area and demographics of the city's market. Key statistics from this analysis will be contrasted against data from ESRI Business Analyst to demonstrate how adding visitor spending and adjusting income figures results in more accurate estimates of market potential.

### Defining a trade area

Gallup is the largest community between Flagstaff, three hours to the west, and Albuquerque, two hours to the east. There are no significant population centers to the south, while Farmington lies about two hours to the north.

Distance and competition are only two factors that need to be considered in defining the city's trade area. The surrounding reservations, and Native American culture need to be taken into

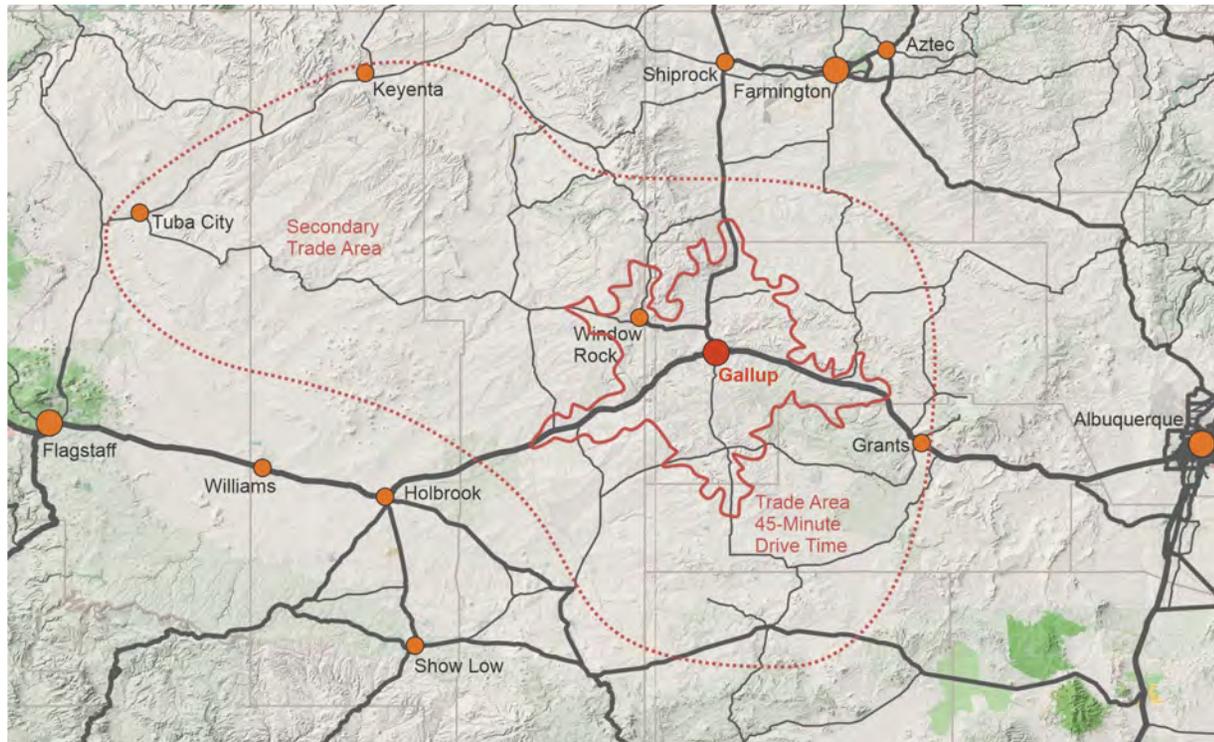
consideration. The largest of these is the Navajo Nation, with its government center located a half hour north of Gallup in Window Rock. While the need to interact with the government already brings 356,890 Navajo close to Gallup, the city's substantial, historic pattern of trade and cultural ties reinforces connections between Gallup and not only the Navajo, but most other tribes within the region.

The approach taken here draws two trade areas. The first is drawn to include an area covered within a 45-minute drive from the corner of 2<sup>nd</sup> Street and Historic Route 66 in downtown Gallup. This

represents the area in which residents will consider Gallup their primary destination for the majority of their shopping, service, and dining needs.

A secondary trade area was drawn extending further in all directions, but especially to the south and to the northwest, to represent an area from which Gallup businesses will often draw customers, although the city may not be their primary location for meeting shopping and dining needs. This secondary trade area takes in all, or portions of the Navajo and Hopi Reservations, Zuni Pueblo, and Acoma Pueblo.

Gallup's Primary and Secondary Trade Areas



## Demographics

Gallup is the major population center in a very large region, with a total population estimated at 22,063 persons. Race is the most significant factor in describing this population, with a nearly even split between white (41.3 percent) and American Indian (41.8 percent). Persons of two or more races, mainly white and American Indian, make up the largest number of the remainder. A significant number of residents (34.7 percent) claim Hispanic descent. Outside of the city, the population is overwhelmingly Native American, and much of the city's trade area is comprised of reservation lands.

The population of Gallup and the trade area is projected to decrease slowly over the coming decade, with the trade area losing less than 500 residents by 2024, or 0.73 percent of the total.

### Demographic Summary

	GALLUP	TRADE AREA
Population	22,063	65,269
Median age	29.5	32.0
White	41.3%	15.7%
American Indian	41.8%	76.2%
Median income*	\$43,598	\$31,515
Per capita income	\$19,633	\$14,914
Households	6,891	17,726
Avg. household size	3.14	3.65
Owner occupied	60.0%	73.9%
Renter occupied	40.0%	26.1%

\* This figure has not been adjusted to consider the underground economy

The income profile of the region is lower than average, although Gallup fares better due to the wider availability of jobs. The Census paints an incomplete picture, though, in that there is a large underground economy.

## Impact of the informal economy

There is widespread recognition that there is a substantial underground economy on the Navajo reservation and other reservations in New Mexico and the broader Four Corners region. The trade in arts and crafts is a substantial part of this underground economy, as are food stands, small farms, flea market booths, and other ventures. While there have been several attempts to estimate the scale of the underground economy, data limitations have led to only broad estimates. Some of the available analysis includes:

- Several versions of the Navajo Nation *Comprehensive Economic Development Strategy (CEDS)* that estimate the total underground economy at 22.2 to 24.4 percent of the overall economy.
- A 2004 Study by the Navajo Division of Economic Development that estimated at least 60 percent of households engaging in arts and crafts trade.
- The *2011 Navajo Nation Visitor Survey*, conducted by the Arizona Hospitality Research & Resource Center, which estimated a \$20.4 million arts economy on the Navajo Nation.
- A 2018 Diné Policy Institute study of flea markets, finding the average vendor

earning \$19,000 annually. This study used a conservative figure of 20 percent participation in the underground economy.

While not specific to the Navajo or other area tribes, two other studies can help provide insight into the size of the underground economy.

- In 2019 the Heard Museum surveyed its vendors to determine that the average vendor earned \$16,572 through participation in its annual vendor program and art fair.
- A study on the Pine Ridge Reservation found that as many as 30 percent of tribal adults met criteria as practicing or potential artists. Slightly over half (51 percent) of households had a home based business, with 79 percent of them involving the arts. Most (61 percent) earned less than \$10,000 annually.
- The University of New Mexico prepared a report on the state's creative economy in 2014, reporting the average income of self-employed artists in the state at \$17,299, and estimating 30 to 40 percent of Native American households engaged in producing and selling pottery, jewelry, weavings, or other works of art.

This is important for the market analysis in that work done in the informal economy is generally not reported. It will not be reflected in the numbers reported by federal agencies, and will not make its way into estimates provided by vendors like ESRI or Environics.

A conservative approach is taken in this analysis. It is estimated that 30 percent of the Native American

households in the primary trade area – 4,052 in total – earn additional, unreported income through participation in the underground economy. On average, they are making \$18,000 annually, adding an aggregate \$72,939,000 in household income.

## Adjusting disposable income

Aside from the impact of an underground economy, there are nuances of Native American household income that are missed in many market analyses. While a typical household has substantial costs associated with health care (8.1 percent of household spending), enrolled members of federally-recognized tribes receive many health services at no cost. Indian Health Services estimates that 60 percent of health care costs are covered by the service, substantially reducing the costs paid by households, who can then dedicate the funds to other spending.

A similar condition exists with regard to some housing, as the Native American Housing Assistance and Self Determination Act sets guidelines, implemented through tribal housing authorities, that limit housing costs to no more than 30 percent of household income. In the western region of the United States, housing averages 33.5 percent of household income.

This analysis uses an estimate of 60 percent of health care costs and rent are covered through services provided through the tribal governments. In 2018, the average rent paid was \$4,247 and the average cost of health care was \$4,968. This includes insurance costs as well as the cost of services and purchases. There were 13,507 Native American households in the primary trade area, with an average of \$5,529 in savings, or \$74,680,000 in total.



## Gallup's commercial districts

There are four primary commercial areas in Gallup, including the eastern and western segments of Historic Route 66, the downtown, and Highway 491 on the north side. There is an additional small district located along 2<sup>nd</sup> Street on the city's south side. This area is serving what is described as a neighborhood level of commercial activity.

### East Route 66

This segment of Historic Route 66 stretches 3.8 miles from the eastern Interstate 40 interchange to the downtown. The railroad lies immediately north of the road, except for a portion near Ford Drive. Commercial uses line most of the south side of the street, serving both a resident and a visitor market.

Most of the newer hotels have been constructed in this corridor, including a cluster just east of the interchange. Other visitor-serving uses include a large number of restaurants, gas stations, and a handful of stores selling Indian goods.



There are several undeveloped lots remaining within the first three-quarters of a mile west of the interchange, as well as along Church Rock Street, which runs parallel to the interstate. A theater was built on Church Rock Street about a decade ago, but no other uses have since located in the area. Competition from the Highway 491 area and a large number of vacancies along East Route 66 contribute to the lack of new development.

Many of the buildings along East Route 66 were built between the 1940's and 1980's, and would not meet modern expectations for design and landscaping. There are vestiges of the heyday of Route 66, but these are not leveraged to define the corridor and attract visitors. There has been almost no planning or investment in streetscaping that would define the district.

Along with some vacant buildings, there are several commercial lots that are minimally developed, and might offer opportunities for redevelopment.



Anchor uses within this corridor include the historic El Rancho Hotel, Albertson's and Lowe's, Butler Office Supply, and Walgreen's.

### Downtown Gallup

Downtown Gallup serves as a specialty retail district, visitor destination, and center of government. The district is generally considered to lie between McKinley Drive and Highway 62, from the river south to Mesa Street.

The core pedestrian-oriented portion of the district stretches for several blocks along Historic Route 66, and up to four blocks south (Mesa Street). Especially along Route 66 and Coal Avenue, it has a traditional development pattern of two-story brick buildings, some with historic character. There are few vacancies, and at the edges of the district, homes have been converted to office and retail uses.

A large number of businesses selling Native American goods (frequently pawn) are located along Route 66, and others on Coal Avenue. Galleries, craft supply, and other related businesses are also

found in the district. These uses are complemented by the cultural center, visitor center, plaza, and Rex Museum. Business hours are inconsistent, and several were closed during normal business hours.

The broader downtown area offers several potential redevelopment opportunities for commercial, mixed use, and multifamily residential projects. This includes city-owned property between the railroad and the river, several large sites on the west end of downtown, and smaller infill or renovation sites on the east side of the district. Commercial uses will tend to prefer the sites closer to Highway 66.

### West Route 66

From the downtown, West Route 66 stretches 5.2 miles to the city's western interchange with Interstate 40. As with East Route 66, the railroad lies

immediately to the north for the first 3.1 miles, only allowing commercial development on both sides of the road nearer to the interchange. The airport lies to the south near the center of the corridor, preventing much development in that area. As a result, the corridor might be considered as two separate districts. Neither contains the concentration of resident-serving or visitor-oriented uses found in the eastern segment of the highway.

Reflecting its lower status as a commercial corridor, the majority of the city's economy hotels are found along this stretch of highway. There are fewer restaurants, and Sonic, Taco Bell, and McDonald's are the only national chains, aside from those located in the truck stops. Family Dollar is the most significant retail chain in the district.

As with the eastern highway segment, there are a large number of vacancies. Multiple sites are available for development, particularly between the airport and the interchange.

### Highway 491 / north side

The city's most significant commercial area extends north along Highway 491 and east along Maloney Avenue, parallel to the interstate. The Rio West Mall (with Beall's, JCPenney, and Hobby Lobby), Walmart Supercenter, Home Depot, Tractor Supply Company, Big Lots, and Safeway anchor the district. There are a large number of hotels, restaurants, and smaller retail businesses.

The Highway 491 frontage has been developed within three-quarters of a mile of the interstate, to where difficult topographic conditions and distance

PRIMARY COMMERCIAL DISTRICTS IN THE CITY OF GALLUP





from the city make it less desirable for commercial uses. Development has also occurred along the Maloney Avenue frontage for three-quarters of a mile, although there may be the potential for some infill on the Rio West Mall's extensive parking lot.

There are few vacancies aside from the in-line space in the Rio West Mall. These include the former Payless Shoes and some remaining space in the former Walmart, where Tractor Supply Company is now located. Several vacancies exist within the mall, although Ashley Home Store will be

occupying a significant amount of that space. Beall's was closing at the time this analysis was prepared in October of 2019, but was expected to reopen as Gordman's. The mall is performing better than many in comparably-sized communities, though it lacks many of the national chain apparel or other retailers usually found in malls.



## VISITOR MARKET

Gallup has a very strong tourism sector, drawing visitors from across the United States and internationally. These visitors contribute significantly to the market potential available to businesses located in the city. In total, they spend over \$600 million, and Gallup businesses capture just under half of that total.

For many of the people visiting Gallup, the city is a waypoint en route to another destination. These

include recreational travelers, business travelers, and even truck drivers and others who stop in the city for fuel, food, or an overnight stay. A lesser number of visitors actually make the city a destination, often for an experience of Historic Route 66, cultural and other events, as a base for trips to regional attractions, or to visit with family and friends.

Over time, tourism will provide one of the best opportunities to grow the retail and dining sector. As

the largest community between Albuquerque and Flagstaff, Gallup is well positioned to serve travelers on Interstate 40. As examples, the City may look to similarly-situated communities such as Kearney, Nebraska, Mitchell, South Dakota, Hays, Kansas, or Rock Springs, Wyoming. These places leveraged their highway location as a catalyst for commercial development. Arguably, Gallup has a stronger position as it has historic, cultural, and

recreational assets that make the city a destination in its own right.

## Visits to Gallup

The State of New Mexico provides limited information about tourism and visitors at a local level. In 2018 it estimated the impact of tourism in McKinley County at \$242 million in total spending, broken out into five broad categories.

The state does not provide an estimate of the total number of visitors to the county. Statewide, there were 37.5 million visitors in 2018, split between 20.4 million day trippers (54.4 percent), and 17.1 overnight visitors (45.6 percent). Most (88.8 percent) traveled by motor vehicle. Included in that sum are 6.6 percent who traveled by recreational vehicle (either towed or a motor home).

### Mobile tracking data sample

To better define the visitor market, this analysis used a sample of mobile phone tracking data for all of 2018. Mobile phones send a signal to nearby towers, recording their location and the date and time at which the signal was sent. This data is available for phones whose users have authorized their device to be tracked.

Each phone is assigned an anonymous identification number, and there is a separate record for every signal. The data make it possible to determine the phone's common evening location (home), along with duration of stay in the study area. Using this information, it is possible to infer whether the visit likely included an overnight stay.

### STATE OF NEW MEXICO ESTIMATED 2018 VISITOR SPENDING

Accommodations	\$80 million
Food and beverage	\$62 million
Recreation	\$21 million
Retail	\$47 million
Transportation	\$33 million

In addition to gathering data for the city as a whole, nine sub-areas were defined to understand what parts of the city or surrounding area may have been a part of a visit. The sub-areas are:

- Downtown Gallup
- Historic Route 66 East
- Historic Route 66 West
- Highway 491 (except Walmart and mall)
- Walmart
- Rio West Mall
- Fire Rock Navajo Casino
- North of the city
- South of the city

More detailed information about these nine areas is included in an appendix to this report, while city-wide data is discussed in this chapter.

### Breakdown of visits by type

Defining the number of "visitors" is not easy. Conceptually, a visitor might be thought of as anyone who is not a resident or living nearby. That may

### MOBILE PHONE DATA SUMMARY

Unique visits in sample	495,129
Located over 100 miles away	375,354 75.8%
Day trips	308,077 82.1%
Overnight trips	67,277 17.9%
Based in United States	371,016 98.8%
Day trips	304,501 82.1%
Overnight trips	66,515 17.9%
Based abroad	4,338 1.2%
Day trips	2,814 64.9%
Overnight trips	1,524 35.1%
Day trips over three hours	55,306 18.0%
Day trips over 20 minutes	99,707 32.4%

still include anyone who simply drove through, stopped only for gas or a meal, or spent a night. It does not provide insight into who actually partook in events or attractions in the city or surrounding area. Still, the available information can help in

estimating the potential size of the visitor market, and market penetration for visitor spending.

There were 495,129 unique visits recorded in the sample of 2018 mobile phone data. Of these records, 375,354 have a home location more than 100 miles from Gallup, with 371,016 based in the United States, and 4,338 located abroad. These can be considered the “visitor market”. It includes those who passed through without stopping, but present an opportunity to capture additional sales if they did stop.

About four out of five people (82.1 percent) in the visitor market made trips that did not include an

overnight stay, leaving 17.9 percent as overnight visitors. This varied from 17.9 percent of visitors from elsewhere in the United States, to 35.1 percent of international travelers.

There were 166,780 people, or 44.4 percent of the total, whose time within the city totaled 20 minutes or longer. This represents the percentage of visitors who may be using some services in the city. Twenty minutes might be considered the minimum length of time needed to stop to top off a gas tank or pass through a drive-through for a meal, and continue through the city on a trip.

About a third of visits lasted three hours or longer, which would be enough time to suggest the potential that the visitor is attending an event or taking in one or more attractions.

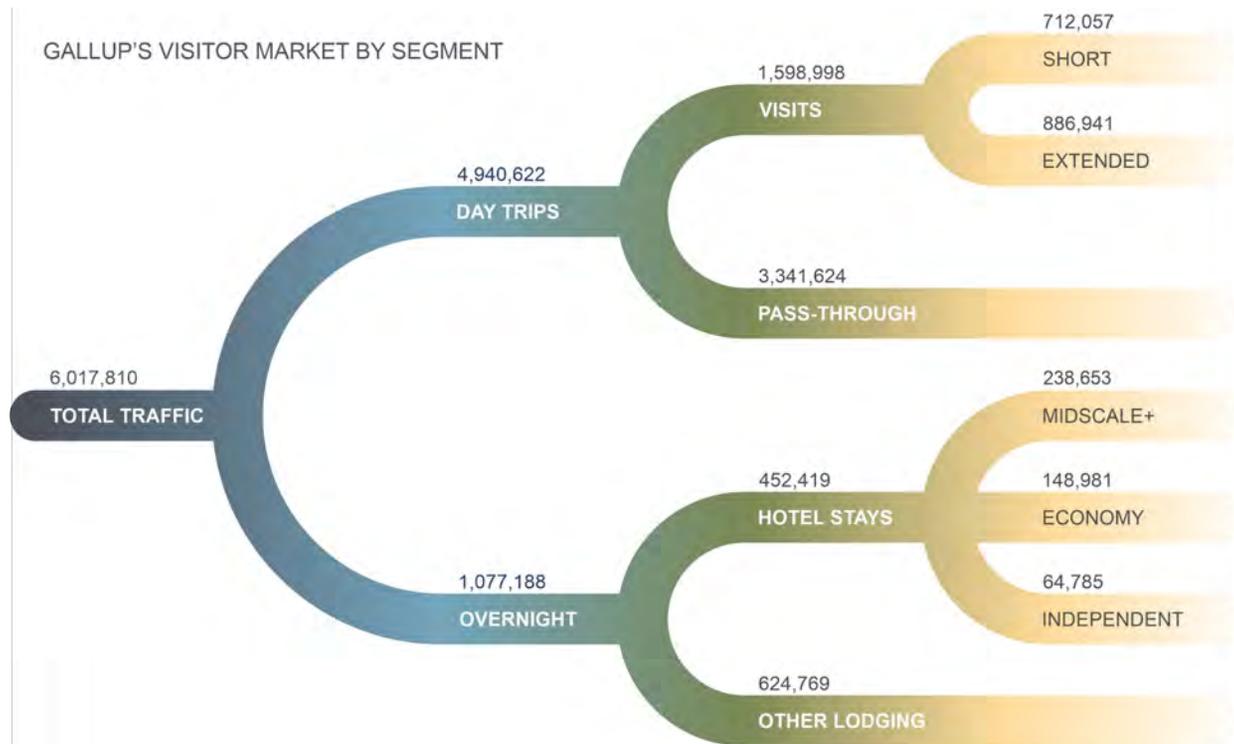
### Estimating total visitation

There were an estimated 452,419 overnight stays in Gallup hotel rooms during 2018. According to the annual US Consumer Expenditure Survey, 42 percent of trips include a lodging expenditure, suggesting that to arrive at the estimated number of room stays, there would have been a total of 1,077,188 overnight stays. Most of these would have been nights spent with family or friends, but would also include vacation homes, rentals, RV parks, and campground stays.

Since overnight visits make up 17.9 percent of the observations in the mobile phone data sample, the total visitor market could be estimated at 6,017,810. Using the information contained in the mobile phone records, it is possible to further break down visits based on the type and duration of stays.

The largest number of people traveling through Gallup, from a distance of over 100 miles, do not stop. These 3.34 million travelers are a missed opportunity that can be marketed to, in order to capture more spending on lodging, dining, gas, and other retail goods.

The roughly 1.6 million day visitors can be split into 712,057 short stays between 20 minutes and three hours in duration, and 886,941 stays over three hours (and not including an overnight stay). The shorter stays approximate the number of visitors who may be only using local services and perhaps making brief visits to tourist-oriented retail



### TRAFFIC-BASED VISITOR ESTIMATE

An alternate set of data can also be used to estimate the number of Gallup visitors. Traffic counts east and west of the city vary from about 19,000 to 23,000, averaging closer to 22,000. This leads to an annual estimate of a little over 8 million cars.

Applying the percentage of visitors originating from over 100 miles away (75.8 percent), taken from the mobile phone data, there would be an estimated 6.08 million annual visitors to Gallup. This compares nicely to the lodging-based estimate.

stores. Those staying over three hours are more likely to be visiting an attraction or attending an event in the city.

### Visitor market potential

The New Mexico Department of Tourism estimates a 2018 total of \$242 million in travel related spending within McKinley County. Unfortunately, the state does not provide information offering much additional detail about visitor spending,

which would help to determine demand for retail goods or dining.

Some of that information is available for northern Arizona. The State of Arizona reports 2018 spending averaging \$637 per travel party, made up of three persons staying an average of 2.5 nights. This come to \$84.33 per visitor day.

Given its adjacency to Gallup, the data for northern Arizona can be applied to Gallup with a degree of confidence, and will allow an estimation of visitor spending and the market potential available through tourism.

### Visitor expenditures

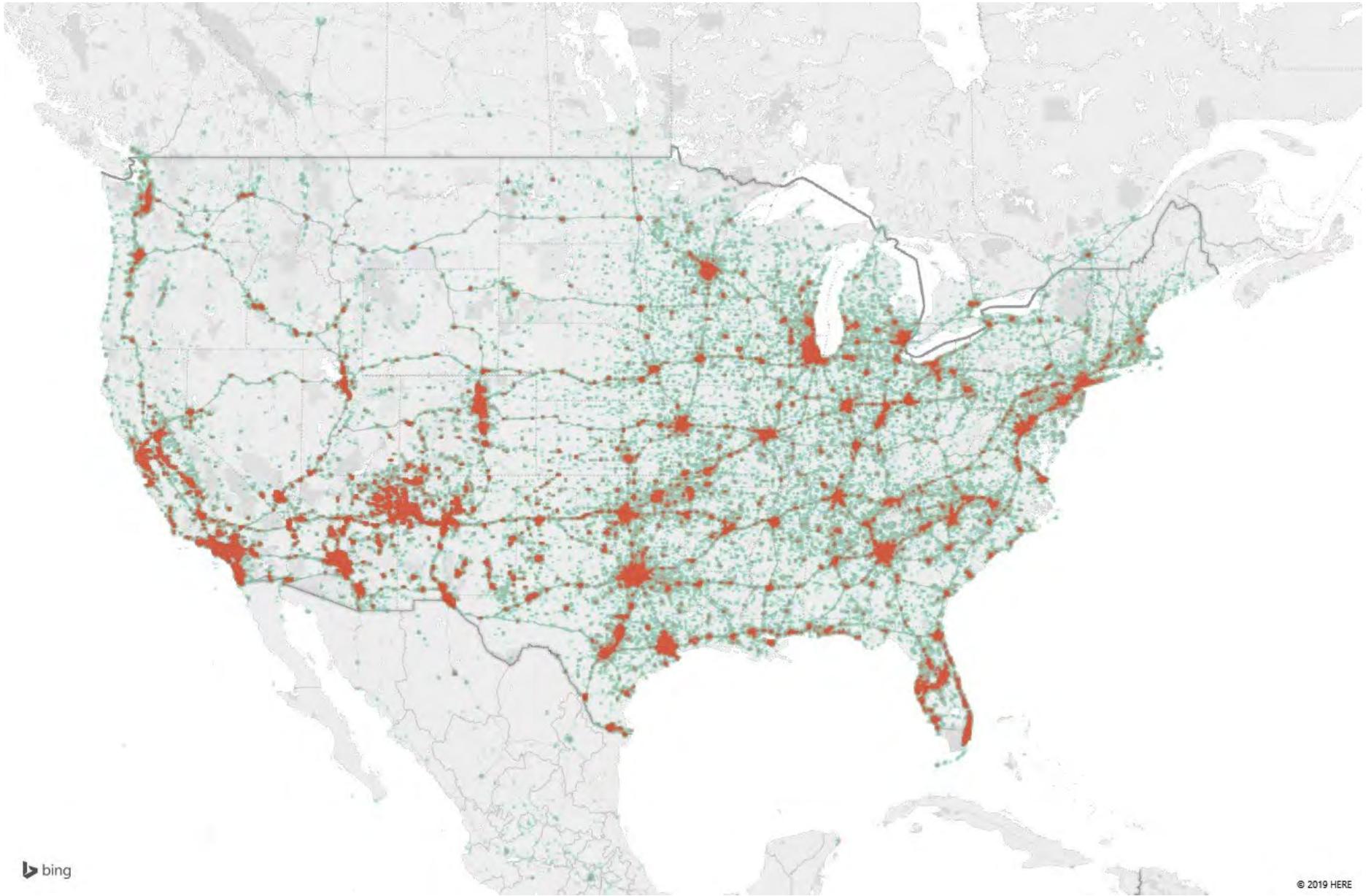
Only 4.1 percent of visits to Gallup include a stay of more than one night. The average overnight stay lasts 1.67 days. When applied to the estimated number of overnight visits to the city, the result is an estimate of 1,795,772 visitor days among overnight visitors, and 3,394,770 total annual visitor days. The amount of visitor spending captured in Gallup is estimated at \$286,280,981. This aligns relatively closely with the state's estimate, and the difference can be attributed in part to how "visitor" is defined in each approach.

### NORTHERN ARIZONA ESTIMATED 2018 VISITOR SPENDING

Accommodations	32.9%
Food services	26.0%
Food stores	5.3%
Local transportation/gas	9.4%
Arts/entertainment/rec.	12.7%
Retail	13.0%
Air transportation	0.6%
\$ spent per visitor day	\$84.33

Gallup's total visitor market – those passing through the city, whether or not they stop – comes to a total of 7,140,285 visitor days. The market potential generated by these potential visitor days totals \$602,140,273. The city is currently capturing a 47.5% share of this market.

ORIGINS OF 2018 VISITORS TO GALLUP – ALL TRAFFIC THROUGH THE CITY





## RETAIL MARKET ANALYSIS

Gallup's retail businesses capture about three-tenths of the market available to them from the combined primary and secondary trade areas, and visitors. While it can't be expected that the businesses will capture all of the available potential, especially from the secondary trade area, there is room for improved performance. That can be achieved through expanding existing businesses, new business starts, and retail business attraction. Several industry

groups are under-represented and offer an opportunity for new business development.

### Retail market performance

The market available to Gallup's retail businesses exceeds \$2.03 billion in annual sales potential, split among the primary trade area (\$611.85 million), secondary trade area (\$1.26 billion), and visitor traffic (\$166.79 million). Meanwhile, Gallup's retail

businesses are estimated to be capturing \$623.93 million in annual sales, leaving a gap of \$1.24 billion being captured elsewhere. Much of this will be sales lost to Albuquerque, Flagstaff, and Farmington, which lie outside of the secondary trade area and have a greater concentration of retail businesses than does Gallup.

## OVERALL MARKET PERFORMANCE

PRIMARY TRADE AREA	ADDED POTENTIAL	TOTAL PRIMARY TRADE AREA	SECONDARY TRADE AREA	ADDED POTENTIAL	TOTAL SECONDARY TRADE AREA	TRADE AREA MARKET POTENTIAL	VISITOR MARKET POTENTIAL	TOTAL MARKET POTENTIAL	ESTIMATED SALES	GAP OR (SURPLUS)	MARKET SHARE
\$464,234,000	\$147,619,000	\$611,853,000	\$759,082,000	\$497,270,000	\$1,256,352,000	\$1,868,204,000	\$166,792,855	\$2,034,996,855	\$623,934,000	\$1,244,270,254	30.7%

Not all retail industries are performing equally well, depending on the nature of the specific industry, Gallup's retail business mix, and competition in smaller communities within the trade areas, or larger urban areas around the periphery.

### Motor vehicles and parts

Sales of motor vehicles are as may be expected. While most of the major brands are represented in Gallup, several of the smaller brands (ex., Hyundai, Kia, Subaru, and luxury brands) are found only in the region's larger cities. Without a presence in the market, these are sales that will continue to be lost. Also, in the secondary trade area in particular, the presence of a larger number of dealers in Albuquerque and Flagstaff will tend to be more of a draw for many customers. The potential for an existing dealer to add an additional brand can be explored as a potential strategy for expansion.

There is local demand for recreational vehicles, motorcycles, and other motor vehicles such as ATVs. A small number of businesses are meeting part of this demand. The market size is not large enough to support recreational vehicle sales, however, more of the demand for motorcycles and ATVs can be met locally, either through expansion of a local business or as a new venture (startup or branch establishment).

Parts and accessories sales are strong, but there is an opportunity for growth. The greatest threat to this retail industry is from increasing online sales that cut into bricks and mortar expenditures. Chain targets will include:

- Advance Auto Parts
- Big O Tires
- Discount Tire

### Furniture and electronics

Furniture stores are well represented in Gallup, as these businesses are rarely found in smaller communities. Within Gallup, most stores are focused on the lower end of the market. Included in the analysis are Aaron's and Rent-A-Center, which are not technically classified as retail stores, but as rental businesses.

The opening of Ashley HomeStore will help to improve the share of the market being captured in Gallup, both through the sales it records, and by encouraging a greater number of people to search local furniture stores before traveling elsewhere to shop. That may also include online sites. A large number of furniture buyers are meeting their needs elsewhere due to the limited local selection.

American Home Furniture and Mattress is a regional chain that may be targeted. They have five

## MOTOR VEHICLES AND PARTS

DESCRIPTION	TOTAL		TOTAL		TOTAL		VISITOR		ESTIMATED SALES	GAP OR (SURPLUS)	MARKET SHARE	
	PRIMARY TRADE AREA	ADDED POTENTIAL	PRIMARY TRADE AREA	SECONDARY TRADE AREA	ADDED POTENTIAL	SECONDARY TRADE AREA	TRADE AREA MARKET POTENTIAL	MARKET POTENTIAL				
New car dealers	\$77,106,000	\$24,518,000	\$101,624,000	\$136,574,000	\$82,593,000	\$219,167,000	\$320,791,000	\$0	\$320,791,000	\$76,000,000	\$244,790,758	23.7%
Used car dealers	\$8,993,000	\$2,860,000	\$11,853,000	\$15,929,000	\$9,633,000	\$25,562,000	\$37,414,000	\$0	\$37,414,000	\$13,150,000	\$24,264,396	35.1%
Recreational vehicle dealers	\$1,723,000	\$548,000	\$2,271,000	\$5,473,000	\$1,846,000	\$7,319,000	\$9,591,000	\$1,117,281	\$10,708,281	\$0	\$9,590,566	0.0%
Motorcycle, boat, and other motor vehicle dealers	\$4,952,000	\$1,575,000	\$6,527,000	\$15,728,000	\$5,305,000	\$21,033,000	\$27,560,000	\$3,210,778	\$30,770,778	\$0	\$27,560,103	0.0%
Automotive parts and accessories stores	\$6,208,000	\$1,974,000	\$8,182,000	\$9,455,000	\$6,650,000	\$16,105,000	\$24,287,000	\$1,930,182	\$26,217,182	\$9,954,000	\$14,333,287	38.0%
Tire dealers	\$3,668,000	\$1,166,000	\$4,835,000	\$5,587,000	\$3,929,000	\$9,516,000	\$14,351,000	\$1,140,553	\$15,491,553	\$4,925,000	\$9,426,288	31.8%

## FOOD AND BEVERAGES

DESCRIPTION	PRIMARY		ADDED		TOTAL		TOTAL		TRADE AREA	VISITOR		ESTIMATED SALES	GAP OR (SURPLUS)	MARKET SHARE
	TRADE AREA	POTENTIAL	TRADE AREA	POTENTIAL	TRADE AREA	POTENTIAL	TRADE AREA	POTENTIAL	MARKET POTENTIAL	MARKET POTENTIAL	TOTAL MARKET POTENTIAL			
Supermarkets and other grocery stores	\$66,122,000	\$21,026,000	\$87,148,000	\$120,649,000	\$70,827,000	\$191,476,000	\$278,624,000	\$28,951,288	\$307,575,288	\$72,875,000	\$205,749,145	23.7%		
Meat markets	\$766,000	\$244,000	\$1,010,000	\$3,476,000	\$821,000	\$4,297,000	\$5,307,000	\$551,437	\$5,858,437	\$50,000	\$5,256,969	0.9%		
Fish and seafood markets	\$224,000	\$71,000	\$296,000	\$1,018,000	\$240,000	\$1,258,000	\$1,554,000	\$161,502	\$1,715,502	\$0	\$1,554,280	0.0%		
Fruit and vegetable markets	\$420,000	\$133,000	\$553,000	\$1,904,000	\$450,000	\$2,354,000	\$2,907,000	\$302,051	\$3,209,051	\$0	\$2,906,905	0.0%		
Other specialty food stores	\$766,000	\$244,000	\$1,010,000	\$3,476,000	\$821,000	\$4,297,000	\$5,307,000	\$551,408	\$5,858,408	\$900,000	\$4,406,691	15.4%		
Beer, wine, and liquor stores	\$4,211,000	\$1,339,000	\$5,549,000	\$3,373,000	\$4,510,000	\$7,883,000	\$13,433,000	\$1,395,748	\$14,828,748	\$1,075,000	\$12,357,533	7.2%		

## HEALTH AND PERSONAL CARE

DESCRIPTION	PRIMARY		ADDED		TOTAL		TOTAL		TRADE AREA	VISITOR		ESTIMATED SALES	GAP OR (SURPLUS)	MARKET SHARE
	TRADE AREA	POTENTIAL	TRADE AREA	POTENTIAL	TRADE AREA	POTENTIAL	TRADE AREA	POTENTIAL	MARKET POTENTIAL	MARKET POTENTIAL	TOTAL MARKET POTENTIAL			
Pharmacies and drug stores	\$27,728,000	\$8,817,000	\$36,545,000	\$41,705,000	\$29,701,000	\$71,406,000	\$107,952,000	\$8,513,829	\$116,465,829	\$15,000,000	\$92,951,683	12.9%		
Cosmetics, beauty supplies, and perfume stores	\$1,398,000	\$445,000	\$1,843,000	\$2,103,000	\$1,497,000	\$3,600,000	\$5,443,000	\$429,315	\$5,872,315	\$1,400,000	\$4,042,963	23.8%		
Optical goods stores	\$1,061,000	\$337,000	\$1,398,000	\$1,595,000	\$1,136,000	\$2,731,000	\$4,129,000	\$325,610	\$4,454,610	\$2,525,000	\$1,604,057	56.7%		
Other health and personal care stores	\$1,946,000	\$619,000	\$2,564,000	\$2,926,000	\$2,084,000	\$5,010,000	\$7,575,000	\$597,326	\$8,172,326	\$1,050,000	\$6,524,612	12.8%		
Outdoor power equipment stores	\$955,000	\$304,000	\$1,259,000	\$684,000	\$1,023,000	\$1,707,000	\$2,965,000	\$139,635	\$3,104,635	\$150,000	\$2,815,420	4.8%		
Nursery, garden center, and farm supply stores	\$3,812,000	\$1,212,000	\$5,024,000	\$2,730,000	\$4,083,000	\$6,813,000	\$11,837,000	\$557,313	\$12,394,313	\$325,000	\$11,512,275	2.6%		

current locations in Albuquerque along with one in Farmington.

Floor covering stores are underrepresented in Gallup. These businesses sell carpet, tile, and wood flooring, along with related items like draperies and home décor or upholstery services. The best prospects for attraction may be stores located in Farmington and other communities that already capture some of the trade area business, such as:

- Carpet One Floor and Home
- Flooring America
- Floor Trader of Farmington
- Kiva Carpet and Tile
- Lloyd's Carpet and Draperies

The appliance, television, and electronics industry is among those most impacted by online sales. Companies that had been opening stores in small markets (ex., Hastings or Radio Shack) have largely closed. Demand in places such as Gallup is being captured by stores such as Home Depot or Walmart, and quasi-retail businesses like Aaron's and Rent-A-Center. This is not seen as a viable target for recruitment.

### Home improvement

Home Depot dominates the home improvement industry within Gallup. The store is benefitting from relatively light local competition (Lowe's is not located in the city, but is in the larger communities around Gallup), and from gaps in other retail industries, such as those selling floor coverings and appliances. Aside from attracting these other kinds

of businesses, the sole opportunity in this industry may be to target Lowe's for attraction.

### Food and beverages

Several individuals expressed interest in additional grocery stores as part of stakeholder and shopper interviews conducted in Gallup as part of the research for this analysis. Most centered on a desire for more fresh and specialty items, and often included mentions of chains like Sprouts, Whole Foods, or Trader Joe's. Gallup's demographic profile is not one that is well matched to those chains. There remains an opportunity and the prospect of attracting one or more additional grocery stores to the city.

The best prospects for attraction will be those that cater to Gallup's trade area demographics, and those that have a distribution system that enables them to

support a Gallup location. Fry's Food Stores is an Arizona regional chain, but its nearest location is Flagstaff, which would mean that a Gallup store is well beyond its current distribution limit. A better prospect would be Bashas', which has stores in Window Rock and Crownpoint.

El Super is a San Diego-based chain with a location in Albuquerque. This chain serves a Hispanic customer that is closely aligned with the Native American population, in terms of many of the foods stocked by the chain.

Although Aldi is not yet in New Mexico and adjacent states, its expansion plans do target these areas. The chain is similar to Trader Joe's, yet is more likely to locate in markets with a lower income profile. This can be considered a long term target.

The La Montañita Coop could expand to meet this need. The Coop is based in Albuquerque where it has five locations, along with one location each in Santa Fe and Gallup. The Gallup store is small and its current site would not allow it to easily expand. Other locations could be identified in the downtown or elsewhere in the city. The Coop could serve an addition, important role in promoting food business entrepreneurship through its partnering to distribute products from emerging businesses.

### Health and personal care

The unique character of the local market is probably creating a situation in which the potential for this industry is over-estimated. With a very large portion of the population covered by Indian Health Services, prescriptions and some other health care needs will be provided through hospitals and clinics,

rather than filled by local pharmacies and home health stores. This will account for the small number of pharmacies in the city.

There is an opportunity within the cosmetics and beauty supply segment. Two of the three major chains, Sephora and Sally Beauty, are already located in the city. The third is Ulta Beauty, which has stores in Farmington and Albuquerque.

Bath and Body Works is also included in this retail industry group. It is similarly located in Farmington and Albuquerque, but does not have a Gallup location. This personal care segment, focused on soaps, fragrances, lotions, oils, and similar products, is on that is attractive to many independent businesses which often source much of their product line from local makers, along with small producers.

### GASOLINE STATIONS

DESCRIPTION	PRIMARY	ADDED	TOTAL			TOTAL		TRADE AREA	VISITOR	TOTAL MARKET	ESTIMATED SALES	GAP OR (SURPLUS)	MARKET SHARE
	TRADE AREA	POTENTIAL	PRIMARY TRADE AREA	SECONDARY TRADE AREA	ADDED POTENTIAL	SECONDARY TRADE AREA	POTENTIAL	POTENTIAL					
Gasoline service stations with convenience stores	\$41,586,000	\$13,224,000	\$54,810,000	\$66,000,000	\$44,545,000	\$110,545,000	\$165,355,000	\$41,861,511	\$207,216,511	\$116,200,000	\$49,154,893	56.1%	
Other gasoline stations	\$14,643,000	\$4,656,000	\$19,299,000	\$23,239,000	\$15,685,000	\$38,924,000	\$58,222,000	\$14,739,675	\$72,961,675	\$0	\$58,222,394	0.0%	

### APPAREL AND ACCESSORIES

DESCRIPTION	PRIMARY	ADDED	TOTAL			TOTAL		TRADE AREA	VISITOR	TOTAL MARKET	ESTIMATED SALES	GAP OR (SURPLUS)	MARKET SHARE
	TRADE AREA	POTENTIAL	PRIMARY TRADE AREA	SECONDARY TRADE AREA	ADDED POTENTIAL	SECONDARY TRADE AREA	POTENTIAL	POTENTIAL					
Men's clothing stores	\$873,000	\$278,000	\$1,151,000	\$539,000	\$935,000	\$1,474,000	\$2,625,000	\$110,034	\$2,735,034	\$0	\$2,624,900	0.0%	
Women's clothing stores	\$4,188,000	\$1,332,000	\$5,520,000	\$2,584,000	\$4,486,000	\$7,070,000	\$12,591,000	\$527,508	\$13,118,508	\$350,000	\$12,240,641	2.7%	
Children's and infant's clothing stores	\$737,000	\$234,000	\$971,000	\$454,000	\$789,000	\$1,243,000	\$2,214,000	\$92,681	\$2,306,681	\$0	\$2,213,824	0.0%	
Family clothing stores	\$10,734,000	\$3,413,000	\$14,147,000	\$6,622,000	\$11,498,000	\$18,120,000	\$32,267,000	\$1,351,842	\$33,618,842	\$7,325,000	\$24,941,933	21.8%	
Clothing accessories stores	\$616,000	\$196,000	\$812,000	\$380,000	\$660,000	\$1,040,000	\$1,852,000	\$77,575	\$1,929,575	\$550,000	\$1,301,724	28.5%	
Other clothing stores	\$1,102,000	\$350,000	\$1,453,000	\$680,000	\$1,181,000	\$1,861,000	\$3,313,000	\$138,818	\$3,451,818	\$200,000	\$3,113,404	5.8%	
Shoe stores	\$2,968,000	\$944,000	\$3,911,000	\$4,649,000	\$3,179,000	\$7,828,000	\$11,739,000	\$949,066	\$12,688,066	\$5,850,000	\$5,889,262	46.1%	
Jewelry stores	\$3,178,000	\$1,011,000	\$4,189,000	\$5,079,000	\$3,405,000	\$8,484,000	\$12,673,000	\$1,036,848	\$13,709,848	\$3,350,000	\$9,322,702	24.4%	
Luggage and leather goods stores	\$156,000	\$49,000	\$205,000	\$249,000	\$167,000	\$416,000	\$621,000	\$50,832	\$671,832	\$0	\$620,895	0.0%	

## Gasoline stations

Gallup's interstate location, the distance to other significant cities, and the remote location of many trade area residents contribute to create a very large market for gas stations. Gas consumption in rural areas is higher than in urban centers. This suggests the probability that the market demand estimates, based on lower national averages, underestimate the market available.

There has been turnover in gas stations within the past several years. Several of Gallup's older stations, including those in the "historic" stretch of Route 66, do not meet modern expectations for site design and the capacity to house a convenience store, along with other uses. These gas stations are finding it harder to compete as new stations have been built closer to the interchanges on Interstate 40.

The new stations often have uses such as fast food restaurants or even souvenir shops in them, making them more attractive as a place for customers to stop. Both Loves and TA (Travel Centers of America) operate truck stops in the city.

The opportunity for this retail segment lies in modernization of existing stations, or in developing new truck stops. Both of these approaches will provide

more accessible islands to enable easy access by large vehicles such as motor homes and trucks towing trailers. Additionally, they should accommodate larger convenience stores and dining opportunities. While most will be fast food, there is also the potential to develop a full service restaurant in a truck stop.

## Apparel and accessories

This segment of the retail market has made up the largest share of losses in retail stores over the past decade. The stores most impacted are those that have typically located in mall settings. Mall visitation has been declining since the 1990's, leading to declining sales and the struggle or closure of many malls.

Rural malls, such as the Rio West Mall, were affected earliest, as they never had the customer counts to attract many apparel retailers. While Rio West Mall has filled a significant part of its formerly vacant space, it has not been with stores selling clothing.

While there is a loss of sales from the combined trade areas, some of this will be picked up by other retailers. This is especially true of Walmart and to a lesser extent, the other department stores in the

city. Additionally, the percentage of apparel sold online is growing and will continue to eat into the potential available to brick and mortar stores.

Suitable targets for Gallup include national chains found in the malls of similar communities, such as:

- Christopher and Banks
- Buckle
- Torrid

Other prospects may include regional, western-themed stores such as Zapaterias Pedrito (with two locations in Albuquerque) and Cavender's, which has multiple locations in the southwestern states.

## Sporting goods, hobbies, toys, games, music, and books

For a community of its size, Gallup is well served by these types of stores. Several of the chain stores (Big 5, Hibbett Sports, Hobby Lobby) are relatively new additions to the community, while a large part of the market is served by independent retailers.

The new sporting goods stores are meeting much of the existing demand, while competition in the larger cities surrounding Gallup will draw those looking for items not available locally. This is a

### SPORTING GOODS, HOBBIES, TOYS, GAMES, MUSIC, AND BOOKS

DESCRIPTION	TOTAL		TOTAL		TRADE AREA MARKET POTENTIAL	VISITOR MARKET POTENTIAL	TOTAL MARKET POTENTIAL	ESTIMATED SALES	GAP OR (SURPLUS)	MARKET SHARE		
	PRIMARY TRADE AREA	ADDED POTENTIAL	PRIMARY TRADE AREA	SECONDARY TRADE AREA								
Sporting goods stores	\$4,736,000	\$1,506,000	\$6,241,000	\$9,587,000	\$5,073,000	\$14,660,000	\$20,901,000	\$1,957,129	\$22,858,129	\$5,275,000	\$15,626,113	23.1%
Hobby, toy, and game stores	\$2,694,000	\$857,000	\$3,551,000	\$5,454,000	\$2,886,000	\$8,340,000	\$11,891,000	\$1,113,402	\$13,004,402	\$4,375,000	\$7,515,533	33.6%
Sewing, needlework, and piece goods stores	\$822,000	\$261,000	\$1,083,000	\$1,664,000	\$881,000	\$2,545,000	\$3,628,000	\$339,696	\$3,967,696	\$1,000,000	\$2,627,968	25.2%
Musical instruments and supplies stores	\$711,000	\$226,000	\$937,000	\$1,440,000	\$762,000	\$2,202,000	\$3,139,000	\$293,967	\$3,432,967	\$650,000	\$2,489,292	18.9%
Book stores and news dealers	\$2,104,000	\$669,000	\$2,773,000	\$1,716,000	\$2,253,000	\$3,969,000	\$6,742,000	\$350,311	\$7,092,311	\$300,000	\$6,442,098	4.2%
Prerecorded tape, compact disc, and record stores	\$592,000	\$188,000	\$780,000	\$483,000	\$634,000	\$1,117,000	\$1,897,000	\$98,602	\$1,995,602	\$600,000	\$1,296,559	30.1%

## DEPARTMENT STORES

DESCRIPTION	PRIMARY		TOTAL			SECONDARY		TRADE AREA		VISITOR		ESTIMATED SALES	GAP OR (SURPLUS)	MARKET SHARE
	TRADE AREA	POTENTIAL	TRADE AREA	TRADE AREA	POTENTIAL	TRADE AREA	POTENTIAL	POTENTIAL	POTENTIAL					
Department stores (excl. discount department stores)	\$9,946,000	\$3,163,000	\$13,109,000	\$33,623,000	\$10,654,000	\$44,277,000	\$57,386,000	\$6,863,937	\$64,249,937	\$14,000,000	\$43,385,927	21.8%		
Discount department stores	\$18,260,000	\$5,806,000	\$24,066,000	\$61,727,000	\$19,559,000	\$81,286,000	\$105,353,000	\$12,601,202	\$117,954,202	\$8,000,000	\$97,352,579	6.8%		
Warehouse clubs and supercenters	\$39,649,000	\$12,608,000	\$52,257,000	\$31,684,000	\$42,471,000	\$74,155,000	\$126,412,000	\$6,468,101	\$132,880,101	\$160,000,000	(\$33,588,330)	120.4%		
All other general merchandise stores	\$6,373,000	\$2,026,000	\$8,399,000	\$5,093,000	\$6,826,000	\$11,919,000	\$20,319,000	\$1,039,706	\$21,358,706	\$10,850,000	\$9,468,853	50.8%		

## MISCELLANEOUS RETAIL

DESCRIPTION	PRIMARY		TOTAL			SECONDARY		TRADE AREA		VISITOR		ESTIMATED SALES	GAP OR (SURPLUS)	MARKET SHARE
	TRADE AREA	POTENTIAL	TRADE AREA	TRADE AREA	POTENTIAL	TRADE AREA	POTENTIAL	POTENTIAL	POTENTIAL					
Florists	\$822,000	\$261,000	\$1,083,000	\$915,000	\$880,000	\$1,795,000	\$2,878,000	\$186,792	\$3,064,792	\$500,000	\$2,378,211	16.3%		
Office supplies and stationery stores	\$4,019,000	\$1,278,000	\$5,297,000	\$3,521,000	\$4,305,000	\$7,826,000	\$13,122,000	\$718,791	\$13,840,791	\$5,380,000	\$7,742,280	38.9%		
Gift, novelty, and souvenir stores	\$2,458,000	\$782,000	\$3,240,000	\$2,153,000	\$2,633,000	\$4,786,000	\$8,025,000	\$439,522	\$8,464,522	\$19,000,000	(\$10,974,530)	224.5%		
Used merchandise stores	\$1,411,000	\$449,000	\$1,860,000	\$3,342,000	\$1,512,000	\$4,854,000	\$6,714,000	\$682,250	\$7,396,250	\$3,800,000	\$2,913,519	51.4%		
Pet and pet supplies stores	\$1,432,000	\$455,000	\$1,887,000	\$5,854,000	\$1,534,000	\$7,388,000	\$9,275,000	\$1,195,060	\$10,470,060	\$0	\$9,274,645	0.0%		
Art dealers	\$2,158,000	\$686,000	\$2,844,000	\$8,822,000	\$2,311,000	\$11,133,000	\$13,977,000	\$1,800,959	\$15,777,959	\$400,000	\$13,577,092	2.5%		
Manufactured (mobile) home dealers	\$89,000	\$28,000	\$118,000	\$365,000	\$96,000	\$461,000	\$578,000	\$74,513	\$652,513	\$2,400,000	(\$1,821,925)	367.8%		
All other miscellaneous store retailers	\$2,865,000	\$911,000	\$3,777,000	\$11,716,000	\$3,069,000	\$14,785,000	\$18,562,000	\$2,391,752	\$20,953,752	\$600,000	\$17,961,846	2.9%		

market with future growth potential, if efforts to promote recreational tourism generate significantly more visitors who come to partake in activities like camping, hiking, mountain biking, and other outdoor sports. That opportunity will be realized through independent businesses such as bicycle shops and outfitters, who may offer guide services as well as merchandise for sale.

There is a very large market for craft supplies, due to the tradition of Native American crafts and art, which will be underestimated in the models used in this, or other analyses. That demand still is being met by businesses that have been in the community for many years. Many of the customer needs are specialized to their craft and do not fit the profile of merchandise usually carried by craft store chains.

The independent shops are better able to meet these niche needs.

### Department stores

This retail category includes the traditional department stores that are currently struggling, discount stores, supercenters and warehouse clubs, and the rapidly expanding number of small format discounters such as Dollar Tree, Dollar General, and Family Dollar. Also included here are the stores such as TJ Maxx, Ross, Marshall's, and Sierra Trading, that are classified as apparel retailers, depending on the source.

Strong sales in this category give the appearance that the market is saturated. In fact, the sales are strongly influenced by the performance of Walmart, whose Gallup location is a high volume

store, and even leases warehouse space in the city to store high-turnover merchandise. This store fills the gap for many other retail categories that are under-represented in the city, such as pet stores, apparel stores, and others. More than others, Walmart will be impacted by retail attraction. It will be the case that this store's sales will decline as other retailers locate in the city.

Like Walmart, other retailers in this category can benefit from the lack of stores in other categories. This is mostly true for Burlington, TJ Maxx, Ross, and Marshall's, all of which will be able to capture some of the lost potential for apparel, furniture, and home furnishings. Along with these three, Target can be a candidate for attraction to more directly compete with Walmart.

The Gallup market may also support a warehouse club such as Sam’s Club or Costco. Sam’s Club was previously targeted, and comments shared with EDC staff suggested that Walmart was not interested, as a Sam’s Club in this market would largely shift sales from the existing store. This is only partially true, as a greater concentration and diversity of stores in the market will encourage more dollars to remain in Gallup. Were Costco to open a store in Gallup, it is likely that Sam’s Club would follow suit.

Tractor Supply Company represents another type of retailer that is not easily classified. Selling lawn and garden supplies, apparel, general merchandise, pet supplies, and other merchandise, they can be called a general merchandise store. Aside from Tractor Supply Company, there are two other brands represented in the region that are not located in the city. These are Big R and C-A-L Ranch Supply. Both can be targeted for attraction.

### Miscellaneous stores

This is a diverse category with opportunities based on some lack of availability, but also on the unique strengths of Gallup in the market for Native American crafts. There does not appear to be strong demand for stores including florists, office supply stores, manufactured home dealers, or “all other miscellaneous store retailers”.

The city does not have any pet stores, and the only places that will carry a selection of pet products are Walmart, grocery stores, and other stores with limited selection and services. The pet market has been among the fastest-growing retail segments, even at a time when many other retail industries are

decreasing their store counts. While Gallup’s market is not particularly large, it will support an independent pet supply store or small format chain such as PetSense, and can be attractive to a larger format like Petco.

Interest in used merchandise stores can take one of two paths. With a large lower-income market, there are opportunities for used merchandise stores. Many of these can be independently-owned. Savers and the Salvation Army Thrift Store are two chains not located in the city, but with a presence elsewhere in New Mexico.

## Targeted retail chains

The City of Gallup has several viable targets for retail attraction. Listed and discussed in this section, the following businesses should be priorities for recruitment.

- 24-Hour Fitness
- Advance Auto Parts
- Aldi\*
- American Home Furniture and Mattress
- Bashas’
- Big O Tires
- Big R
- Buckle
- Burlington
- C-A-L Ranch Supply
- Carpet One Floor and Home
- Cavender’s
- Christopher and Banks
- Costco
- Defined Fitness
- Discount Tire
- El Super
- Floor Trader of Farmington
- Flooring America
- Kiva Carpet and Tile
- Lloyd’s Carpet and Draperies
- Lowe’s Home Improvement
- Marshall’s
- Petco
- PetSense
- Planet Fitness
- Play it Again Sports
- Ross Stores
- Salvation Army Thrift Store
- Sam’s Club
- Savers
- TJ Maxx
- Target
- Torrid
- Zapaterias Pedrito



## DINING MARKET ANALYSIS

Distance is a factor in Gallup's potential for restaurant business. Because the trade area is vast, residents are less likely to drive into the city to patronize these businesses frequently. On the other hand, as a visit can take a half day or more, it will be more common for those visits to include a stop at a restaurant. Gallup also has a great deal of traffic driving through on the interstate, which can be another source of restaurant patrons.

### Dining market conditions

Gallup has a large number of restaurants including many of the fast food chains found in the region, and a large number of independent businesses. Among those offering full service, most are in the lower- to mid-price range, with few higher-end restaurants. Despite its tourism potential, few have a well-developed Route 66 theme.

The city's restaurants get good reviews, and the top-rated are almost all independent, rather than chain businesses. The favorable view of local residents suggests the potential for more of these types of businesses, whether through startups or new locations.

There are 35 full-service restaurants in the city, with aggregate sales estimated at \$30,700,000. A

total of 50 limited service restaurants have sales of \$37,550,000. Eleven other businesses (buffets, coffee shops, etc.) have estimated sales totaling \$5,575,000. Altogether, the restaurant sales are estimated at \$73,825,000.

### Market potential

The market potential is comprised of spending by residents of the primary and secondary trade areas, and visitor traffic passing through the city. This visitor potential actually exceeds the amount spent by trade area residents. Gallup only has access to a portion of that market, however, as more than half of the traffic passing through the city does not stop.

The city's restaurants and other eating places are capturing 34.6 percent of the market. This can be broken out by full service restaurants at 41.1 percent, limited service restaurants at 36.3 percent, and 15.8 percent for other eating and drinking places. These include snack and beverage places, buffets, food sold at grocery and convenience stores, vending machines, and even cafeterias such as those found in schools, businesses, or military installations.

While there is room to capture greater sales in any of these categories, it should not be expected that the city can greatly improve the share of business captured by other eating and drinking place. These tend to be serving a population in a very specific area, which will not be available to the city. Spending at a school cafeteria in Grants, for example, cannot be shifted to Gallup.

RESTAURANT MARKET SUMMARY	
Total market demand	\$300,608,000
Primary trade area	\$55,718,000
Secondary trade area	\$88,334,000
Total trade areas	\$144,052,000
Visitor total	\$156,556,000
Available visitor total*	\$69,511,000
Available market demand	\$213,563,000
Estimated restaurant sales	\$73,825,000
Market share	34.6%

\* Available visitor total and available market demand are based on the share of traffic that exits the interstate to spend at least 20 minutes in the city.

RESTAURANT POTENTIAL BY TYPE	
Full-service restaurants	
Market potential	\$74,726,000
Estimated sales	\$30,700,000
Market share	41.1%
Limited-service restaurants	
Market potential	\$103,578,000
Estimated sales	\$37,550,000
Market share	36.3%
Other eating and drinking places	
Market potential	\$35,259,000
Estimated sales	\$5,575,000
Market share	15.8%

### Targeted restaurant chains

The following chains are in the New Mexico market, but do not have a presence in Gallup. They are matched to the community's market and should be priority targets for recruitment.

- BJ's Restaurant
- Cattle Baron
- Chick-Fil-A
- Chipotle
- Cold Stone Creamery
- Culver's
- Dunkin

- Firehouse Subs
- Five Guys
- Great Harvest Bread Company
- IHOP
- Java Juice
- Jersey Mike's Subs
- Longhorn Steakhouse
- Old Chicago
- Panera
- Perkins
- Qdoba

- Red Robin
- Ruby Tuesday
- Smoothie King

- Taco John's
- Texas Roadhouse
- Village Inn

- Which Wich
- Whiskey Creek



## LODGING MARKET ANALYSIS

Gallup's strategic location along Interstate 40 brings a great deal of overnight traffic to the community, supplementing the market for visitors to attractions and events in the area. Overall, the lodging establishments in the city are performing at an average level, but there are really two different stories told by the data. Midscale and better-quality establishments are doing very well, with increasing demand and high occupancy despite the addition of new units in recent years. Meanwhile, economy and

independent hotels are continuing to experience diminished demand and a steadily falling occupancy rate. These properties are attempting to lure guests with lower rates, but visitors are proving very willing to pay more to stay at newer properties with better amenities.

In this environment, there are still opportunities to develop new hotels as well as to redevelop and reposition some existing properties. The strong

performance of better-quality hotels, and growth in demand for these rooms, suggests the potential to add more hotels at the midscale and upper midscale tiers. Meanwhile, there is a need to redevelop the city's older economy and independent hotels. In the process, obsolete rooms may be eliminated from the inventory. One of the more intriguing options would be to restore one or more of the "motor court" motels from the heyday of Route 66, positioning these to compete as historic hotels.

## Existing room inventory

The past several years have seen the addition of a handful of new hotels in Gallup, along with the removal of older properties from the inventory. As of November of 2019, there were 39 hotels in the city, with a total of 2,458 rooms. The largest number of rooms were in the midscale and higher tiers, with 955 rooms. The remainder were split between economy (798 rooms) and independent tiers (705 rooms).

Short-term rentals such as AirBnB and VRBO have yet to make a significant impact. A 2017 study by the New Mexico Hospitality Association found only eight such properties in the city or nearby areas. AirDNA, a service that aggregates data on these properties, found 22 active listings in January of 2020, with an average occupancy of 62 percent, and an average rate of \$71 per night.

Five new hotels have opened in the past five years, including the Hilton Garden Inn (2014), Best Western Plus Gallup Inn & Suites (2015), Fairfield Inn & Suites (2015), Springhill Suites Gallup (2016), and TownePlace Suites Gallup (2017). There were four closures in the same period. With 126 rooms, the Red Lion is the largest of these and the only chain property. The Gardenia Inn / Motel (25+ rooms) closed in 2019. The Roadrunner Motel closed after a fire in 2016. The Thunderbird Motel, with 39 rooms, closed in 2014.

The former Gallup Inn (and earlier, Holiday Inn) has reopened as a Howard Johnson, with 80 rooms. Additional rooms are expected to be remodeled and reopened at an uncertain date.

## Existing Hotels in the City of Gallup

TIER	PROPERTY NAME	ROOMS	OPENED	COMMENTS
UPPER	Hilton Garden Inn Gallup	105	2014	
UPPER MIDSCALE	Best Western Plus Gallup Inn & Suites	69	2015	
	Comfort Inn Gallup	61	1999	
	Comfort Suites Gallup	66	2009	
	Fairfield Inn & Suites	72	2015	
	Hampton Inn Gallup	63	2005	
	Hampton Inn Gallup West	60	2005	
	Holiday Inn Express & Suites Gallup East	91	2012	
	La Quinta Inn & Suites	67	2005	
	Springhill Suites Gallup	95	2016	
	TownePlace Suites Gallup	74	2017	
MIDSCALE	Quality Inn & Suites Gallup	71	1996	Flagged 2005
	Sleep Inn Gallup	61	1995	
ECONOMY	America's Best Value Inn & Suites Gallup	66	2005	
	Days Inn Gallup East	78	1975	Flagged 2007
	Days Inn & Suites Red Rock Gallup	75	1990	Flagged 2012
	Econo Lodge Gallup	50	1988	
	Howard Johnson Gallup	80	1966	Flagged 2019
	Knights Inn Gallup (1601 Hwy 66)	36	1965	Flagged 2016
	Knights Inn Gallup (3208 Hwy 66)	51	1993	Flagged 2013
	Microtel Inn & Suites	53	1997	
	Motel 6 Gallup	80	1975	
	Red Roof Inn Gallup	104	1988	Flagged 1999
	Super 8 Gallup	75	1988	
	Travelodge Gallup	50	1997	

*Shading indicates properties reporting occupancy and rate data to STR Global*

The Knights Inn, at 1601 West Route 66, acquired its chain affiliation in 2016 and was remodeled in 2019. It was originally the Ambassador Hotel.

Property conditions at the midscale and higher tiers are very good overall. These are generally newer buildings situated near interchanges along Interstate 40, often viewable from the highway. They are uniformly multistory buildings with interior hallways, and offer amenities such as a pool and fitness center, business center, meeting room, and breakfast area.

Economy and independent hotels were constructed as early as the 1930's, but most date to a period from

the 1950's and 60's, or from the late 1980's and early 1990's. These hotels are more likely to have external entries and to lack the amenities found in higher-tier hotels. Among the independent hotels, there are some obvious signs of deferred maintenance. Their location may be less advantageous, further from interchanges and sometimes surrounded by uses that detract from the setting.

There is an unusual property among the independent hotels. The El Rancho markets itself as a historic hotel associated with the Route 66 era. Built in 1936, the hotel was then considered one of the nicest in the southwest. Many of its rooms have

recently been refurbished and it is frequently cited as a stop for travelers wanting to experience Route 66.

Reviews for hotels in Gallup appear to be correlated to their tier. Upper and upper midscale hotels are consistently getting about 4.5 stars. The mid-scale properties are getting 4 stars. Most economy hotels earn 3 to 3.5 stars, and independents are rated at 2 to 2.5 stars. Complaints cited by reviewers include the dated appearance of rooms, uncleanly rooms, poor customer service, and concerns about safety. These were mostly limited to the independent hotels.

Many of the independent and even some of the economy chain hotels are competing on price, rather than on less-obvious aspects of service, rooms, or amenities – perhaps because they are lacking. By lowering their prices they hope to fill more rooms, but this also reduces the revenue needed to reinvest in the property to keep it competitive. That often leads to poorer reviews, forcing the management to

### Existing Hotels in the City of Gallup (continued)

TIER	PROPERTY NAME	ROOMS	OPENED	COMMENTS
INDEPENDENT	Blue Spruce Lodge	20	1950	
	Budget Inn	40	1977	
	Colonial Motel	26	1972	
	Desert Skies Motel	34	1959	
	Economy Inn	44	1963	
	El Capitan Motel	42	1960	
	El Rancho Hotel	119	1937	Historic lodge
	Golden Desert Motel	30	1977	
	Hacienda Motel	32	1955	
	Ranchito Motel	27	1960	
	Redwood Lodge Motel	20	1925	
	Roadrunner Motel	31	1960	Closed 2016
	Royal Holiday Motel	50	1967	
	Sunset Motel	20	1981	
	T A Motel	42	1975	
Zia Motel	25	1979		

*Shading indicates properties reporting occupancy and rate data to STR Global*



lower prices to fill rooms, and the cycle repeats itself. This environment has led to the closure of a handful of hotels, and without an improvement in quality, more can be expected to follow.

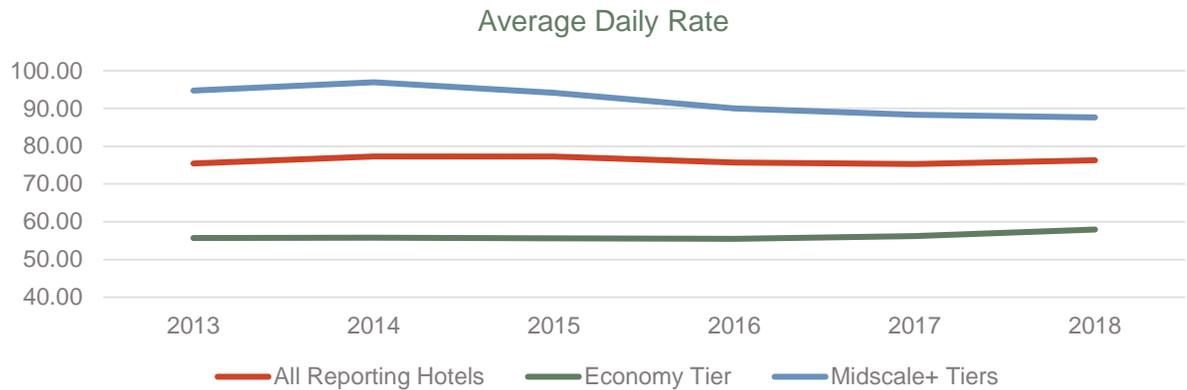
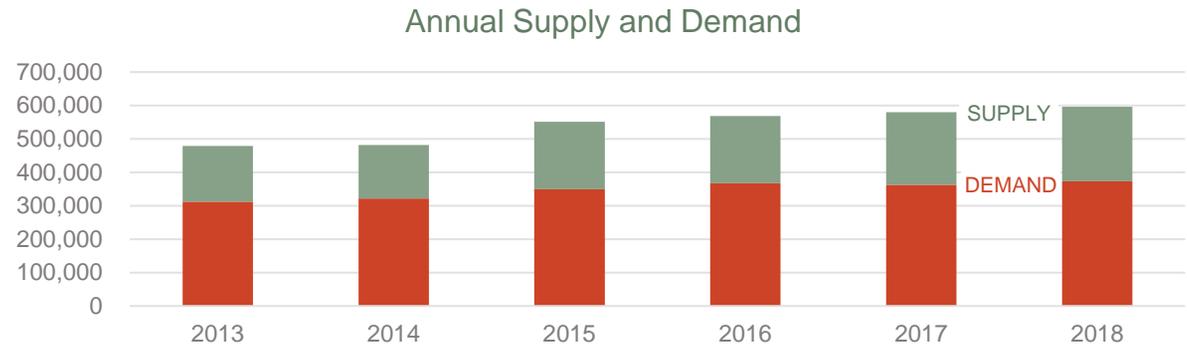
## Lodging market trends

Lodging market data is available from STR Global, which aggregates information on occupancy and rates from hotels participating in its monthly surveys. Two hotel sets were specified for the Gallup analysis. The first consisted of twelve midscale or higher tier hotels. These twelve hotels make up 860 of 955 available rooms, or 90.0 percent of the total. The second included eleven economy hotels. All are chain establishments. Their 732 rooms represent 91.7 percent of the available inventory. None of Gallup's independent hotels are reporting data. Their performance would be expected to more closely match that of the economy tier.

### Occupancy, demand, and supply

Nationally, the average hotel occupancy rate is 66.2 percent. Gallup trails with an overall 62.6 percent rate for 2018, tracking about 1.4 percent higher through September of 2019. This is down from a 2014 peak of 66.7 percent. As demand increased from 311,870 nights in 2013, to 372,839 nights in 2018, the decrease in occupancy is due to increases in supply.

All of these new rooms have been added in the higher-level tiers. The average occupancy rate for this set has dropped, though it now appears to have leveled and has begun to increase. At 73.2 percent, though, it is still a very healthy rate, and its 2014 peak was at 83.7 percent.



While overall room demand increased by 19.5 percent from 2013 to 2018, the new rooms were not evenly split between the tiers. In fact the higher tier set saw a growth of 45.9 percent, not only capturing all of the added demand for rooms within the city, but also converting rooms from the economy hotels. That set saw a 7.4 percent decline, going from a 49.5 percent share to 36.5 percent of the rooms booked. The city's economy hotels have

lost share in each year, while their occupancy has dropped to 41.0 percent.

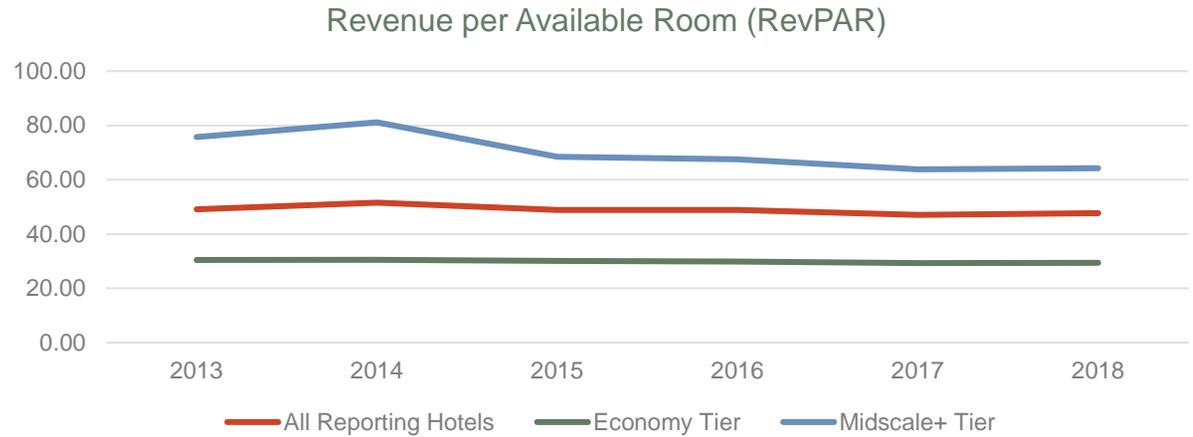
Room supply at the midscale and higher tiers increased in every year, as new hotels opened in the city (this does not include the Springhill Suites which opened in 2016, but did not report data). Hotels in these tiers made up 41.2 percent of the city's room inventory in 2013, but now offer 52.7 percent of the total. The number of rooms offered by economy tier hotels was unchanged over the

period from 2013 to 2018, while their share of the total dropped to 47.3 percent.

### Comparison to Lodging Tax Data

The STR data is a sample of the City’s lodging market. Data from gross receipts taxes collected by the State of New Mexico can help to fill in the picture of the market. During 2018, the state collected taxes on \$33,038,591 in gross receipts for all lodging properties in the city. The sample in the STR data, which reports aggregate revenue for most economy and upper midscale properties, totals \$28,427,703. This leaves \$4,610,888 in gross receipts spread among the one upper midscale, one economy, and 16 independent motels.

No taxes are collected for most stays booked by government or nonprofit organizations. Additionally, no taxes are collected on extended stays lasting over 30 days. Many rooms in the independent hotels are being used by these long-term guests. It is therefore appropriate to think of the \$4.6 million in unassigned gross receipts as a



part of the remaining “visitor” expenditure on hotel nights.

Using the average daily rate for economy hotels, the remaining gross receipts suggest an additional 79,580 room nights with a revenue per available room of \$14.59. There are 866 rooms within the 18 hotels not a part of the STR data.

### Average daily rate

Average daily rates have changed little at the aggregate level, but the two hotel sets have responded differently to changes in the market. The average daily rate of \$76.25 in 2018 is slightly ahead of the 2013 average of \$75.41. At \$77.58, the average through September of 2019 is \$0.91 ahead of the same point last year. While the national average is \$129.83, rates (as well as hotel operating costs) are highly variable among different markets.

The average daily rate among Gallup’s midscale and higher tier properties has been declining since a 2014 peak, decreasing by 9.6 percent to \$87.63.

Partial data for 2019 shows it increasing by \$3.01 through September. The reduced rates are a response to increases in supply (competition) as new hotels opened.

Among economy hotels, the rate has been increasing slowly, from \$55.67 in 2013, to \$57.94 in 2018. As of September of 2019, the average daily rate for economy hotels was considerably lower than in 2018. This may indicate a lowering of prices in an attempt to fill rooms.

### Revenue per available room (RevPAR)

Revenue per available room (RevPAR) is a function of the preceding statistics, depending on supply and demand (occupancy), and average daily rate. It is the most critical statistic for understanding what revenue might be expected for an existing or proposed hotel. The average RevPAR in the United States, in 2018, was \$85.96.

Most of the change in RevPAR is seen in the midscale and higher tiers, where additional rooms have been added and the average daily rate has come down. In 2018 the RevPAR stood at \$64.18, a decrease of 20.9 percent from the 2014 peak of \$81.17. RevPAR improved slightly in 2018, and through September of 2019 was nearly five dollars higher than at the same time a year ago. September year-to-date numbers are usually \$1.50 to \$2.00 higher than the yearly figure, suggesting that RevPAR will be in the neighborhood of \$68.00 for 2019.

## Market forecast

The midscale and higher tier hotels are showing improving conditions while there is continued slow erosion of the economy tier market. The higher-tier hotels have captured the growth in net demand, and shifted a portion of the existing market from the economy tier. Decreases in occupancy and rates are only a function of the additional rooms added in the past few years. With no additional rooms planned, these hotels should see an increase in occupancy and higher rates in the coming years. Economy tier occupancy and revenue should stabilize or improve as inventory is reduced.

Based on current trends, the following changes are anticipated.

- **Demand for rooms.**

Demand will grow by 9,000 rooms annually, all of which will be realized at the midscale or higher tiers. There will be no change to demand at the economy level. The average for the past five full years has been 12,194 rooms,

### Forecast – All Hotels in the Gallup Market

	2019	2020	2021	2022	2023	2024	2025
Supply	606,630	594,416	593,490	593,490	593,490	594,416	593,490
Demand	382,000	391,000	400,000	409,000	418,000	427,000	436,000
Occupancy	63.0%	65.8%	67.4%	68.9%	70.4%	71.8%	73.5%
ADR	\$49.35	\$53.01	\$55.85	\$58.73	\$61.74	\$64.79	\$68.17
RevPAR	\$31.08	\$34.87	\$37.64	\$40.47	\$43.49	\$46.54	\$50.08

### Forecast – Midscale and Higher Tier Hotels

	2019	2020	2021	2022	2023	2024	2025
Supply	324,850	325,740	324,850	324,850	324,850	325,740	324,850
Demand	239,000	248,000	257,000	266,000	275,000	284,000	293,000
Occupancy	73.6%	76.1%	79.1%	81.9%	84.7%	87.2%	90.2%
ADR	\$90.26	\$92.97	\$95.76	\$98.63	\$101.59	\$104.63	\$107.77
RevPAR	\$66.41	\$70.78	\$75.76	\$80.76	\$86.00	\$91.23	\$97.21

### Forecast – Economy Tier Hotels

	2019	2020	2021	2022	2023	2024	2025
Supply	281,780	268,676	268,640	268,640	268,640	268,676	268,640
Demand	143,000	143,000	143,000	143,000	143,000	143,000	143,000
Occupancy	50.7%	53.2%	53.2%	53.2%	53.2%	53.2%	53.2%
ADR	\$58.52	\$59.10	\$59.70	\$60.29	\$60.90	\$61.50	\$62.12
RevPAR	\$29.70	\$31.46	\$31.78	\$32.09	\$32.42	\$32.74	\$33.07

but that is inflated by exceptional growth in 2015-16. A rate of 9,000 rooms annually is more consistent with a longer trend.

■ **Room supply.**

No changes are anticipated to supply at either tier group. A reduction of rooms at the economy and independent levels would help to improve overall tier performance, and might be considered as an economic development goal for the City. This could be accomplished as hotels close, or through renovation that would enable properties to compete at a higher tier.

■ **Average Daily Rate.**

The average daily rate charged at economy hotels is expected to increase at about one percent annually, while the rate for midscale and high tier hotels will increase by three percent. These expected increases are consistent with long term trends.

Assuming there is no disruption to the current trend, the midscale and higher tier group of hotels should see a return to their peak rate of occupancy, average daily rate, and RevPAR by 2022-23. The economy tier will see much slower improvement through a higher average daily rate.

## Potential for a new hotel

Good and steadily improving conditions for the midscale and higher-tier set suggest the potential to add more rooms at this level. This is particularly true as a new hotel will take some time to develop, with the earliest likely opening in the second half of 2021 or in 2022. At that point the market will

## Impact of a New 80-Room Upper Midscale Hotel Opening in 2022

	2019	2020	2021	2022	2023	2024	2025
Supply	324,850	325,740	324,850	354,050	354,050	354,130	354,050
Demand	239,000	248,000	257,000	266,000	275,000	284,000	293,000
Occupancy	73.6%	76.1%	79.1%	75.1%	77.7%	80.2%	82.8%
ADR	\$90.26	\$92.97	\$95.76	\$98.63	\$101.59	\$104.63	\$107.77
RevPAR	\$66.41	\$70.78	\$75.76	\$74.10	\$78.91	\$83.91	\$89.19

have returned to high rates of occupancy. Two approaches might be considered.

■ **Attract a new midscale or higher-tier hotel.**

There are several midscale or higher tier chains currently not represented in the Gallup market, which would be a good fit for the community. Even without considering any new demand attributed to the hotel (induced demand), the introduction of an 80-room hotel would only have a 4.0 percent impact on occupancy, along with some impact to RevPAR.

To be competitive, a new hotel should be located either along West Route 66 or in the Highway 491 commercial area (or a downtown hotel might be considered), and should be visible from the interstate. It should have amenities comparable to those of its competitors, including an indoor pool, fitness center, business center, and meeting room.

Several chains might be suitable targets for Gallup, including:

- AmericInn by Wyndham
- Baymont by Wyndham

- Cambria (Choice Hotels)
- Candlewood Suites (IHG)
- Clarion (Choice Hotels)
- Cobblestone Inns & Suites
- Country Inn & Suites (Radisson)
- Courtyard by Marriott
- Drury Inns & Suites
- Home2 Suites by Hilton
- MyPlace Hotels
- Ramada by Wyndham
- Woodspring Suites (Choice Hotels)

■ **Renovate an existing property.**

There is the potential to renovate an existing hotel to enable it to compete with rooms at the midscale or higher tier. The best opportunity for this will be to renovate one or more of the mid-century motor courts as an historic property, with character more in keeping with a bed and breakfast inn. A hotel of this type could be positioned to capture visitor traffic seeking an



authentic Route 66 experience, but still demanding a quality room.

A hotel of this type needs to strike a balance between authenticity and modern conveniences. While offering a décor consistent with its period of construction, rooms should still have the infrastructure (modern HVAC systems, wi-fi, plentiful electrical outlets, large bathrooms, etc.) that would be found in a new hotel. This can require extensive renovations, rather than simple cosmetic upgrades. It may also require the combination of some rooms (reducing the total number) to provide larger spaces for guests.

Along with physical improvements, the hotel will need to offer a higher level of service. This

should include a full breakfast, perhaps catered by one of the area restaurants. The hotel will also need to be marketed differently than others, and certainly more than typical of the city’s existing independent hotels.

Several of the city’s older properties might be considered, including:

- Arrowhead Lodge
- Blue Spruce Lodge
- Lariat Lodge
- Redwood Lodge
- Zia Motel

It may be possible to combine two adjacent properties to create a larger redevelopment

project. The City can consider making incentives available to support a project of this type.

### Possibility of a downtown hotel site

Downtown Gallup may be an attractive location in which to develop a new hotel, which would be central to many of the city’s visitor attractions. The presence of a downtown hotel could help to support the district’s growth as a specialty retail and dining district and visitor destination. Pursuit of this option will require investment on the part of the City to offset the costs of site acquisition and clearance.

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# RECOMMENDATIONS

Aside from business attraction, there are other actions the City, Gallup EDC, and other partners can take to improve the chances of attracting new businesses or startups, and capturing a greater portion of the market that is available. These actions may be grouped around the general themes of enhancing commercial sites and buildings, attracting a greater share of the visitor market through marketing and product development, and creating programs that spur startups and independent business growth.

## Visitor market development

Route 66 serves the community and trade area, but has a great deal of potential to draw visitor traffic to both its eastern and western segments. There is a great deal of interest in Route 66, whether by those who set out to drive the route, or those who find themselves on Interstate 40 and may veer off out of curiosity.

Other communities have played to this visitor market by trying to preserve or re-create the Route 66 experience people hope to enjoy. While Gallup has many vestiges of the route's heyday, they are not highlighted, and unsympathetic modern development – particularly chain prototype buildings – infringes on the experience.

Taken together, Route 66 and Gallup's trade in Native American goods have the potential to bring more visitors into the city and to its businesses. A plan can be developed for the entire corridor, to tie public and private design to the market

opportunity. This might include streetscaping to develop the route's "brand", a trail system between the road and railroad, roadside pull-offs for "photo-ops" of historic route features, and measure to promote private development that supports the Route 66 theme.

## Independent businesses

Several categories of retail will support new locally-owned businesses, or the expansion of existing ones. This is also true of restaurants and even hotels.

Commercial business development is still a relatively new endeavor for many local economic development agencies that have previously only engaged in retail business attraction. The pay-off can be significant, however, as successful businesses that start local can achieve success through internal growth or franchising. As they do, they can create new wealth along with headquarters, distribution, and other jobs in the community.

Several approaches have been successfully employed elsewhere that may be considered for Gallup, including:

- Pop-up retail and dining spaces.
- Marketplaces that provide booth space for restaurants or retail businesses.
- Educational programs that teach the fundamentals of starting and managing a retail or restaurant business.

- Technical assistance programs to support and encourage the growth of independent retail and dining businesses.
- Marketing assistance programs to help businesses more effectively reach their potential customers.

## Districts, sites, and buildings

Each of Gallup's primary commercial areas has site and/or buildings where new businesses may locate, but they are not of consistent quality. Different types of businesses will also be attracted to each of the four areas. Most of the retail chains targeted in this analysis will prefer the Highway 491 commercial area. Retail that is more oriented to the community or to the highway, and many restaurants, will prefer the eastern segment of Historic Route 66. Visitor-oriented and specialty retail, along with restaurants, will also be drawn to the downtown.

### Highway 491 North

This area has emerged as Gallup's strongest retail concentration, attracting most of the city's chain stores. There are few vacancies in the area, and aside from the former Payless Shoe Store and a portion of the former Walmart location, they are mostly found in the Rio West Mall.

The large parking lot associated with the mall would offer some opportunities for new retail pad sites. Otherwise, development will prefer to continue west along Maloney Avenue.

## Historic Route 66 East

Large commercial development sites are available between the eastern interchange and more developed parts of the city. Little development has occurred here over the past decade, although the sites are development-ready, with infrastructure in place and visibility from the interstate. This is an area that should be capable of attracting chain retail along with hotels and restaurants.

Vacant lots and under-developed properties can be found continuing west at least as far as Williams Street. Some of the buildings may help contribute to the Route 66 image, while others can be targeted for redevelopment. These sites would have potential for mixed uses, whether vertically, or with residential to the rear and commercial uses along the frontage.

## Historic Route 66 West

This is the most challenged of Gallup's commercial areas. The airport is a factor in this, creating a long stretch of road along which it is hard to develop.

Between the airport and the downtown there are a large number of vacant or poorly-used properties. It may be worth considering a long-term transition of a large part of this area to service-commercial, light industrial, or other uses, as it is out-competed by other parts of the city for retail, dining, and lodging uses.

The highway frontage is inconsistently developed between the airport and the western interchange. Again, there are many undeveloped lots and some vacant structures. The vicinity of the interchange has been more intensely developed and has seen

some recent investment. The City's effort can be on continuing to infill sites between the interchange and the airport.

## Downtown Gallup

Gallup's downtown core is mostly intact, with few undeveloped sites. The lack of available space was commented on by stakeholders interviewed for this analysis. Additionally, the pressure can be seen in the conversion of homes adjacent to the downtown to office uses.

The largest potential development sites lie north of the railroad, but the volume of train traffic often makes it difficult to reach this area. Some sites might be assembled between 3<sup>rd</sup> and 5<sup>th</sup> Streets, which may require redevelopment of existing buildings. Additionally, there is land that can be developed along Route 66 east of Strong Drive, but distance from the core makes it more challenging to include this area in a pedestrian-oriented district.

## Stakeholder discussion

The Greater Gallup Economic Development Corporation hosted a workshop on 31 January 2020, to which it invited stakeholders representing a cross section of community, business, real estate, political, and other interests. During the workshop, participants were asked to share their thoughts regarding business attraction, existing businesses, and startups in the retail, dining, lodging, and related industries. Additionally, the consultant team met with and otherwise interviewed a cross-section of business representatives, stakeholder groups, and customers during a visit to the community.

Many of the issues that were identified echoed observations of the consultant team and Retail Attraction Steering Committee, while others offered new insight. Comments which tended to be most-often mentioned were grouped under barriers or challenges, and opportunities or solutions.

## Barriers or challenges

- **Local government process.** These issues included difficulties in obtaining permits, scheduling inspections, and the cost of code compliance.
- **Vacant and deteriorating buildings.** There were many concerns related to vacant buildings and the lack of maintenance, so that the cost of returning buildings to service is prohibitive. Much of this discussion was centered on the downtown, although there are vacant properties along the Highway 66 corridor.
- **Downtown parking.** There are perceptions that downtown parking is inadequate.
- **Visual impact.** Many comments centered on the appearance of districts and properties. These included clutter, the lack of an image, sparse landscaping or streetscaping, poor signage, and the condition of many buildings. The concern is that the city does not project an attractive image.
- **Workforce.** Three distinct issues emerged under this topic: 1) poor worker skills and turnover; 2) the lack of programs to train people for the service industry; and 3)

difficulties in recruiting people to management positions.

- **Customer service.** Many of the city's businesses are perceived as offering poor customer services, with some commenting on the impact this has on tourism.
- **Perceptions.** Gallup is not perceived favorably. This includes being seen as low-income and having issues with vagrancy, panhandling, and crime.
- **Development cost.** The city is seen to have high development costs as most materials, and even construction workers need to be brought in from a considerable distance. The cost of remediating poor soils adds significantly to new construction.
- **Housing.** The city is seen to have a housing shortage and high housing costs. There are concerns about the condition of the housing stock.
- **Taxes and government costs.** Gallup's eight percent gross receipts tax is seen as high, as are the costs of municipal utilities.
- **Infrastructure.** Water and sewer lines in the downtown are failing. There is a lack of infrastructure for development along Maloney Road.
- **Quality of Life.** Many concerns were expressed that there is too little to keep important segments of the population in Gallup, such as families or higher-income professionals.

- **Commercial geography.** Most national chains are gravitating to Highway 491 North. There is a desire to see commercial development in other parts of the city.
- **Accessibility and traffic.** The railroad and interstate bisect the city, making it difficult to move between commercial areas. The railroad presents traffic problems in the downtown.
- **Startup resources.** There are not many programs for startups and much of what is available is not very meaningful.
- **Incentives.** There is a general lack of incentives for commercial development, and state laws make it difficult to provide them.
- **Capital.** Many potential businesses (as well as small businesses) do not have the resources they need and may have difficulty qualifying for conventional financing.
- **Marketing.** Many businesses are not marketing effectively. There was discussion of a need to form a merchant's association to conduct more "buy local" marketing.
- **Franchises.** Franchises are one way to add businesses, but they often require prior experience to obtain, which many potential investors lack.
- **Tourism.** Gallup needs to lure more passing traffic off the interstate.

### Opportunities or solutions

- **Education / workforce training.** Local schools can be encouraged to offer training

and certificates in skills for the service industry. Grant funds are available for workforce development.

- **Creative businesses.** There is a large, local, creative community that could be the source of business starts.
- **Appearances.** Programs such as historic preservation tax credits and façade improvement programs could be developed and promoted to improve the appearance of buildings.
- **Placemaking.** Public and private investments in streetscaping and appearances will help to improve the city's image.
- **Online marketing.** Businesses can benefit from training and technical assistance to improve their online presence.
- **Regulation.** A property maintenance code and signage code could address building condition and the poor quality signage for many businesses.
- **Route 66.** The historic highway is an asset that can be capitalized on, at the district level (streetscape and attractions) and by individual businesses that can make it part of their brand.
- **Infrastructure.** Fix failing infrastructure in older parts of the city.
- **City support.** Appoint a committee and/or mediator to work with the business community to address concerns. Improve communication.

- **Outdoor recreation.** Outdoor recreation has potential that is barely tapped. The resource is not well developed or marketed.
- **Tourism.** Visitor spending is a missed opportunity for existing businesses, and could support new businesses.
- **Family attractions.** The city needs to offer attractions like a waterpark or trampoline park that would appeal to families.
- **Culture.** Leverage Gallup’s unique history and culture to provide an authentic experience unlike other places.

## Recommendations

The following strategy recommendations are grouped under a set of goals for commercial development.

### Create more vibrant commercial districts

1. Prepare district plans for the downtown and Route 66 East corridor. These should address business development, real estate development or revitalization, establishing a unique identity or brand, streetscaping and placemaking, walkability, parking (in the downtown), public and private property design and maintenance, marketing, and tourism development.
2. Identify priority sites for redevelopment in the downtown and both the eastern and western segments of Route 66.
3. Consider zoning changes to reduce the amount of commercial land in the Route

66 West corridor, with the potential to add more multifamily or light industrial uses.

4. Adopt and enforce a property maintenance code.

### Attract new commercial businesses

5. Organize a continuous program of retail, dining, and lodging business attraction. This should include direct outreach to national chains and regional businesses with the potential to open additional locations, attendance at national and regional industry events (ICSC RECon and state deal-making events), annual refreshing of marketing materials, and updating of the market analysis every three or four years.
6. Annually review and update the list of targeted businesses, based on local and industry changes. This should especially focus on identifying small businesses in other communities within the region that may be attracted to open a Gallup location.
7. Partner with property owners and developers to leverage contacts and share resources to attract commercial businesses.
8. Maintain a current inventory of available sites and buildings, with complete information about the property and its sale or lease terms.

### Promote expansion and startups

9. Develop programs to promote retail and dining business startups. These can address entrepreneurial education in the school

system, technical and financial assistance programs, and business incubation practices.

10. Leverage partnerships with the Navajo, Zuni, and other tribes to promote Native American entrepreneurship.
11. Create startup spaces such as places for pop-up businesses, food and retail truck courts, and highway marketplaces that serve as transitional or incubation locations while a business grows to the point where it can occupy a conventional storefront.
12. Create training and technical assistance programs to support existing businesses in areas such as general business practices, human resource management, and marketing (including digital strategies).

### Capture the potential of tourism

13. Develop programs to teach customer services skills to employees and business owners, with an emphasis on those serving the visitor market.
14. Continue to develop Gallup’s outdoor recreation assets, with the goal to generate the traffic that will warrant new businesses dedicated to the market.
15. Increase marketing, including roadside signage, to position Gallup as the preferred stopping point for traffic traveling between Albuquerque and Flagstaff.
16. Encourage businesses to promote the connection to Route 66 through design, signage, products, and other techniques. Make

Gallup the signature stop on Route 66. This initiative can be extended to key remaining sites along stretches of highway in McKinley County.

### Prepare the workforce

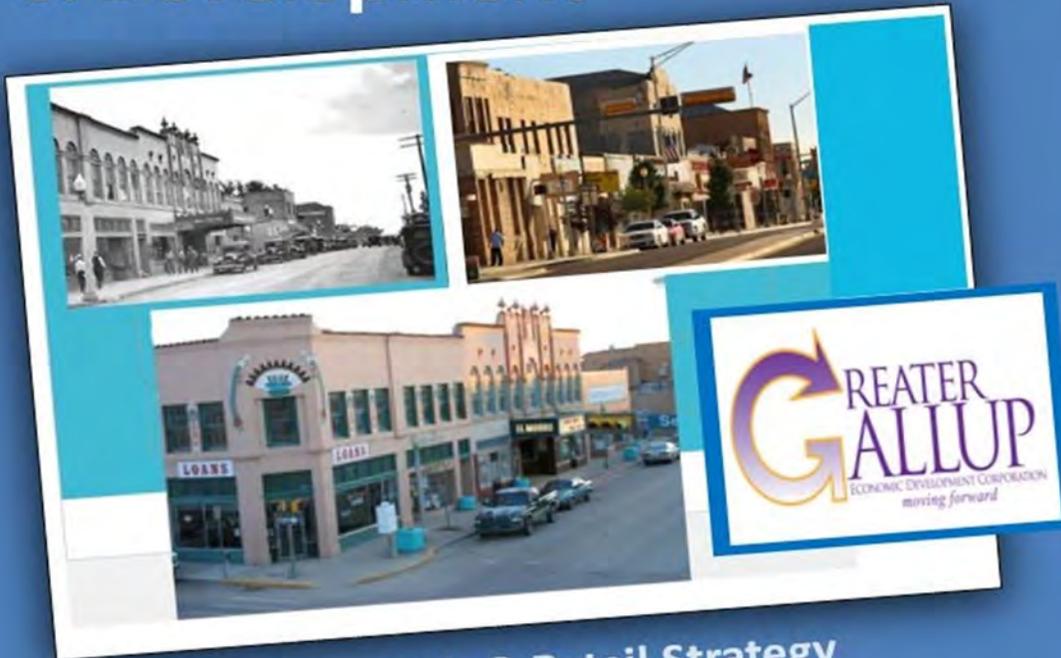
17. Develop a certificate program to teach the skills associated with working in the retail, dining, or lodging industry.

### Improve the city's image

18. Implement a public relations campaign aimed at improving the image of Gallup in areas within a roughly 200-mile radius.

# APPENDIX A: ECONOMIC ROUNDTABLE

## Economic Roundtable Gallup Retail Attraction & Development



Gallup's Market Analysis & Retail Strategy

FINAL REPORT



GREATER GALLUP  
ECONOMIC DEVELOPMENT  
CORPORATION

January 31, 2020  
Hilton Santa Fe Historic Plaza Hotel  
Santa Fe, NM

## SPECIAL THANKS TO

Our Economic Roundtable Sponsors:

**YOGASH KUMAR**



### The Keynote Speakers:

Brad DeYoung Partner, Legacy Alliance Holdings, LLC

Michael Stumpf Principal, Place Dynamics, LLC

### The Facilitation Team:

Jeff Kiely, Consultant & Master Facilitator

Bruce Armstrong, Economic Development Manager, GGEDC

Rose Eason, Executive Director, GallupARTS

Cynthia Jarvison, Director, the Small Business Development Center at UNM Gallup

Jennifer Lazarz, Tourism & Marketing Manager, City of Gallup

Brandon Howe, Regional Planner, Northwest New Mexico Council of Governments

Michael Stumpf, Principal, Place Dynamics, LLC

Angelina Grey, Associate Planner, Northwest New Mexico Council of Governments

## Proceedings

The *Greater Gallup Economic Roundtable on Retail Attraction and Development* was hosted at the Hilton Santa Fe Historic Plaza Hotel on January 31, 2020, by the Greater Gallup Economic Development Corporation. The Roundtable convened a diverse group of 44 stakeholders, including local retail entrepreneurs, corporate developers and site selectors, certified economic development practitioners, local elected officials, City of Gallup mayoral and City Council candidates, financiers, nonprofit organizations, representatives of State agencies, and retail marketing experts. The Roundtable was planned by the Retail Attraction Steering Committee and served by a team of 11 facilitators, scribes and expert advisors.

The Roundtable opened with brief keynotes by GGEDC leadership and retail experts from Legacy Alliance Holdings and Place Dynamics. GGEDC Board President Tommy Haws noted that local economic development organizations do not typically get involved in retail development. In the past year, however, at the behest of the City of Gallup and in light of dramatic changes in the global retail marketplace, the GGEDC Board of Directors agreed to spearhead an initiative to address the current retail challenge and to generate strategies to proactively foster new retail development. At the same time, the Board's motivation was to serve as a catalyst and convener, and not necessarily to manage such an initiative in the long-term. He extended an invitation to members of the Gallup business community to take on the management of this project by the end of the City's fiscal year.

GGEDC Executive Director Patty Lundstrom explained the importance of this focus on retail, emphasizing that the Greater Gallup community needs a proactive retail plan and program that will help to:

- Stem the leakage of millions of dollars earned in Gallup being spent elsewhere on retail, food and drink;
- Mitigate revenue shortfalls into public coffers resulting from “Hold Harmless” and the pending closure of the Escalante Generating Station;
- Improve the overall Quality of Life in the City; and
- Improve economic opportunities for local residents, newcomers, and visitors by making Gallup a prime shopping destination for residents and visitors.

Brad DeYoung of Legacy Alliance Holdings emphasized the unique nature of Gallup as a commercial hub for a diverse customer base that includes a large “local” market area extending over 50 miles from the City Center, as well as high-volume interstate and logistics traffic along the east-west corridor. Traditional market analysis doesn't do justice to this unique community, as it does not account for the broader market area and under-represents available expendable income. Gallup has tremendous retail potential, but it needs to get better at telling its story, and convincing retailers of the profitable opportunities in this unique place. In that context, Gallup could take better advantage of its assets, such as in creation of a “Route 66 Neon

Mile” development to attract visitors into the local retail market.

Michael Stumpf of Place Dynamics LLC summarized the preliminary findings from the updated retail market study he is conducting for the City of Gallup, noting that Gallup is realizing only about one-third of the potential \$2 billion-a-year “retail pie” as he had estimated for the Gallup market area. A strategic path forward, then, would be to focus on the gaps in that retail pie, that is, where there are insufficient levels of retail activity in areas that could be successful and profitable, such as: auto dealerships, furniture and home furnishing stores, specialty food stores, gas stations, truck stops, department stores, pet stores and a broad spectrum of dining establishments.

Consultant Jeff Kiely led a facilitation team through a round of guided small-group discussions organized around the three retail “disciplines” of Attraction & Recruitment, Business Retention & Expansion, and Retail Enterprise & Startups. In a compact and rapid-paced dialogue process, the Roundtable participants were asked to examine challenges and barriers to retail development in Gallup and to consider various opportunities and solutions that might help to create a more vibrant retail sector, provide a greater range of shopping and dining opportunities, and support the businesses that provide goods, services and amenities. Insights and recommendations generated during the Roundtable will provide a foundation for strategic and coordinated action going forward.

## Background and purpose

Each year, the Greater Gallup Economic Development Corporation (GGEDC) hosts one or more “Economic Development Roundtables,” including events in Gallup, as well as in Santa Fe in conjunction with annual sessions of the Legislature. This year, the organizers designed the Retail Attraction and Development event to focus, as with the other GGEDC roundtables, on promoting knowledge, dialogue and forward-looking commitment on critical elements involved in economic development of the Greater Gallup region.

GGEDC considered the following as critical reasons for focusing on retail development:

- **Leakage prevention.** To help stem the leakage of money and talent from the local economy. The benefits of creating high-wage jobs are compromised if the dollars from those wages immediately leave town.
- **Economic revenues.** To grow the retail sector to help increase Gross Receipts Tax (GRT) revenue streams that support local government, various nonprofit organizations and community services, and that help reduce budget shortfalls occasioned by phasing out “Hold Harmless”;
- **Jobs.** To increase the number of jobs in the Gallup region, and to strengthen the pathway from service jobs (entry level) to higher wage jobs requiring technical skills;
- **Buy and sell local.** To increase opportunities to buy and sell goods and services locally and to keep dollars in circulation in

the Gallup economy for as long a period as possible before those dollars leave the community (the multiplier effect);

- **Community Quality.** Improve the “quality of life” by creating more opportunities to shop and dine locally. Improving the quality of life and place helps to “sell” Gallup to industrial firms potentially interested in locating here, and to build and retain our own labor force; and
- **Grow the pie.** Recognize new opportunities for local businesses and entrepreneurs to tap into a larger “revenue pie” (focus of white paper prepared for the Roundtable by Place Dynamics, LLC).

Participants in the Retail Roundtable, including Gallup retailers, entrepreneurs, public officials, directors of nonprofits, retail developers, and experts, had the opportunity to engage in dynamic small group discussions on how to shrink leakage, how to help businesses start up, expand, and succeed, and on what types of businesses made sense to try to bring to Gallup. The event also provided an opportunity to gauge retail market challenges and opportunities, identify opportunities for new businesses, and to help develop strategies to grow the retail economy of the greater Gallup area.

A primary objective for the Gallup retail analysis was to analyze how to reduce economic leakage from Gallup and to stem further closures of local retail establishments such as Allen Theaters, Lowe’s Shopping Center, Freddy’s Frozen Custard and Steakburger, and the Red Lion Hotel which all had recently shut down before the City of Gallup

applied for funding for the retail market study. In research and analysis conducted by Michael Stumpf, Principal with Place Dynamics, LLC, the consultant hired by the City of Gallup to conduct the retail market study, Mr. Stumpf demonstrated that the economic power contained within the trade area indicated that leakage should not be a guiding concern for the City. He emphasized that not only do we have a greater market demand for goods and services in Gallup than the standard ESRI market data indicate, but we also have a substantially higher supply in Gallup and greater sales within a 45-minute drive time than demonstrated with the ESRI data. Mr. Stumpf points to stated that being able to show an additional \$150 million of demand in Gallup underscores Place Dynamics’ approach to retailers which is to focus on why the standard data they have is telling them an inaccurate story of Gallup as a retail location.

In addition to the demand from the primary trade area, visitor traffic passing through Gallup generates an additional \$166.79 million in demand. Mr. Stumpf further claimed that a demand of \$1.26 billion exists in the secondary trade area. His approach to retailers suggests that a greater share of that “pie” can be claimed by opening stores in niches not well-represented in Gallup -- such as clothing stores -- where locals would have the opportunity to buy a greater selection of goods and services locally.

To that end, GGEDC is engaged in a process of identifying gaps in the market and generating strategies to address them. Retail has not previously been a core priority of GGEDC, as its primary mission and focus is on retaining and expanding

economic-base employers; that is, recruiting and supporting industrial employers that provide well-paid “base” jobs. In the big picture, however, the GGEDC has learned that success in a sustained



Stakeholders in two of the breakout group sessions discussed barriers and challenges and opportunities and solutions in the interest of enhancing Gallup’s retail sector.

program of industrial recruitment and business retention hinges on “quality of life” issues. To successfully recruit businesses, skilled personnel and their families to McKinley County, there needs to be a broader range of quality jobs, education, workforce training, housing, shopping and recreation opportunities. Contemporary Workers seek to have access to a variety of modern retail outlets.

Preliminary research and consultation with experts by GGEDC staff regarding Greater Gallup’s “retail challenge” revealed that while there are many “players” in the local retail market, no systematic planning or coordinated effort around improving the future of Gallup’s retail economy has occurred. GGEDC’s objective was to help get the ball rolling in the right direction. International Economic Development Council (IEDC) literature emphasizes the need for a lot of collaboration and input from key local partners, as well as from specialized consultants and brokers in the retail industry in order to accomplish this task.

It is also important to see how Gallup lines up in terms of what retailers and investors are looking for, including identification and qualification of properties most amenable for development or re-development, as well as quality-of-life amenities that are seen as critical to the attraction and retention of businesses. A critical focus is on “commercial real estate,” or those properties owned for the purpose of producing income. Many people in Gallup want to see a more vibrant downtown with minimal vacant properties. But in addition to undertaking an in-depth assessment of current market demands,

determinations also need to be made regarding which of the properties could meet those demands.

Since July 2019, GGEDC has hosted monthly meetings of the Retail Attraction Steering Committee that laid the foundations for the roundtable and guided completion of contracted work on the Gallup Retail Market Analysis. GGEDC hired local consultant Jeff Kiely to facilitate the process. GGEDC is immensely thankful for the work and contributions of the Steering Committee, which has included representatives from the Gallup-McKinley Chamber of Commerce, the City of Gallup Marketing and Tourism Department, the Downtown Business Improvement District (BID), Gallup MainStreet/Arts & Cultural District, GallupARTS, the Small Business Development Center at UNM Gallup, and the Northwest New Mexico Council of Governments (NWNMCOG).

The Economic Roundtable – Retail Attraction & Development is the tenth in a series of roundtables organized and hosted by the Greater Gallup Economic Development Corporation (GGEDC). In general, an economic roundtable is a form of facilitated discussion. Participants agree on a specific topic to discuss and debate. Each person is encouraged and given equal opportunity to participate. Economic Roundtables GGEDC has hosted since 2014 include:

- Meet the New Cabinet – a special roundtable convened for Gallup civic leaders to meet and interact one-by-one with the new Cabinet Secretaries appointed by

incoming Governor Michelle Lujan Grisham – *February 22, 2019, New Mexico Municipal League, Santa Fe, NM*

- Building a Workforce Pipeline in Construction, Logistics and Manufacturing for Gallup & McKinley County – *January 26, 2018 – La Fonda on the Plaza, Santa Fe, NM*
- Housing & Workforce – *May 19, 2017, UNM-Gallup*
- Site Selectors Forum – February 10, 2017, La Fonda on the Plaza, Santa Fe, NM
- Downtown, Tourism, Energy – *June 12, 2016, El Morro Theater, Gallup, NM*
- True Cost of Debt – *January 29, 2016, The Lodge at Santa Fe, Santa Fe, NM*
- Economic Development Training – *June 8, 2015, El Morro Theater, Gallup, NM*
- Economic Development in New Mexico – *February 5, 2015, La Fonda on the Plaza, Santa Fe, NM*
- Economic Development in McKinley County – *June 10, 2014, UNM-Gallup, Gallup, NM*

The Economic Roundtable is a valuable resource for building capacity in McKinley County. By bringing together public, private, non-profit, tribal business people, and academic leaders with the common goal of promoting retail attraction and development in the City of Gallup, the Economic Roundtable made it possible to begin generating clear strategies that can be implemented to benefit

the economic growth of our city and region. As an additional advantage, the Economic Roundtable offers the opportunity to meet and network with regional leaders, innovators and organizers. On the evening of January 30th, many participants also had an opportunity to join the Gallup-McKinley Day reception in the El Dorado Hotel. That event provided networking opportunities for attendees and the chance to meet several of the Roundtable presenters and facilitators.

## Themes from the roundtable discussions

The following themes emerged from the robust cache of issues and ideas addressed in the workshops, and are captured in the tables on the following three pages.

### Cross-cutting themes

Examination of the proceedings from all nine roundtable discussions revealed various cross-cutting themes:

1. **Culture of communication and collaboration.** The need to greatly improve the ethic and culture of communication, collaboration and encouragement among all players in the local economy, including repairing and transforming relations between City Hall and the business community. Discussions across the groups placed a priority on the need to build trust between the City and the business community, improving public-private relations by transforming the regulatory mindset from inflexibility to one

that is cooperative and solution-oriented. Business owners want to see more of a “customer service” attitude by City staff, involving greater emphasis on communication, coaching and constructive conflict resolution. Additionally, considerable discussion centered around administration and enforcement of the City’s development codes, including the regulation of alcohol sales and licensing, fair resolution of conflicts and consistent enforcement of code violations, and business owners expressed the desire for more involvement in reviewing and modifying City development standards, codes and procedures.

2. **Business community voice.** Related to the culture of cooperation, and expressed in a number of different ways, there was a desire to establish an independent Local Business Commission with an advisory and advocacy role, which can build communication and trust between the City and the business community, review policies that impact business climate and opportunity, and propose changes in policies, regulations and other factors affecting local business.
3. **Quality & readiness of the built environment.** The need to clean up, rehabilitate and repurpose deteriorating properties, to create a more attractive environment for new business and residents. Significant emphasis was placed on the need to improve the look, feel and functionality of the built environment, including improving the availability of and access to appropriate

## ATTRACTION AND RECRUITMENT

BARRIERS AND CHALLENGES	OPPORTUNITIES AND SOLUTIONS
<p><b>Workforce Development</b> – the need for a stronger, more qualified, skilled and employable workforce, supported by vocational training programs that prepare job-seekers for local careers and positions (including retail, and especially management skills).</p>	<p><b>Workforce Development</b> – raising the call for improved vocational training opportunities to upgrade the skills and employability of the local workforce.</p>
<p><b>Built Environment</b> – the need to upgrade properties and infrastructure – throughout Downtown and the community – to attract and retain new retail business, and the need for a new mindset and approach to taking care of our properties, setting and enforcing regulations, and pulling together to transform the face of the City.</p> <p><b>Quality of Life</b> – related to the built environment, the desire for a safe and attractive community, with more amenities for modern day families and workers, including cultural events and attractions, as well as businesses reflecting Gallup’s unique cultures &amp; history.</p> <p><b>Public Perception &amp; Community Image</b> – Also related to the concerns about the built environment, much discussion about the community’s reputation, including dilapidated properties, the “rough” visual entering the community, and strong concern about high levels of public intoxication, vagrancy and panhandling. The overall effect is of a community that is deteriorating and not growing.</p>	<p><b>Improving Community Image &amp; Functionality</b> – the need to “clean up” the City’s appearance, including creating more attractive storefronts, rehabilitating and repurposing deteriorating properties, repairing and upgrading essential infrastructure, improving the overall traffic and transportation system to overcome the fragmentation between areas of the City such as the separation caused by the railroad crossings), and addressing in a much more effective manner the social issues presenting themselves on the streets (public intoxication, vagrancy and panhandling).</p>
<p><b>Unmet Retail Demand</b> – the desire to bring in many different kinds of retail shops to meet the interests of a changing (and hopefully growing) population, and to make it more possible to shop close to home rather than exporting our own customer base to the bigger cities.</p> <p><b>Local Economics</b> – the observation that a number of economic realities in Gallup serve to prevent new growth, including the area’s demographics (high poverty), negative impacts by the local casino, and restrictions on approvals of liquor licenses that could be used in higher-end restaurants.</p>	<p><b>Support &amp; Guidance for Local Business</b> – in contrast with an outward-seeking recruitment effort, there was a lot of discussion on the need for greater support for local businesses, including expanded collaboration with tribal and other neighboring communities and with local startups.</p> <p><b>Retail Recruitment</b> – the recognition that the community needs to be more proactive in attracting new retail into the community, albeit there is a difference of opinion regarding the balance between national retail chains and locally-owned businesses; opportunities were identified in the outdoor/recreational tourism sector, as well as in business and industry that could take advantage of major new infrastructure for water supply (the billion-dollar Navajo-Gallup Water Supply Project), the Gallup Energy Logistics Park and the proposed new rail line to Farmington.</p> <p><b>Marketing the Community</b> – the need to greatly improve “telling the story” of the Gallup community and the unique retail opportunities that it represents, including getting better at “living our brand” (“Gallup*Real*True”), embracing “who we are” as a regional culture, and creating destination venues and experiences reflecting local culture.</p>

## BUSINESS RETENTION AND EXPANSION

BARRIERS AND CHALLENGES	OPPORTUNITIES AND SOLUTIONS
<p><b>Workforce</b> – the lack of a ready workforce with the skills, experience and employability needed by present and future local employers, and the need for more and better training opportunities that prepare job seekers for available local positions – with particular need at the management level.</p>	<p><b>Workforce Development</b> – calling for upgrading and upscaling training and other supports to build stronger workforce capacity, including school-age skill development and certification programs, and vocational training tailored to industry-specific skill needs.</p>
<p><b>Public-Private Relationship</b> – the need to repair and transform the relationship between the City and the business community, especially with regard to the administration and enforcement of the City’s development standards and codes.</p>	<p><b>Culture of Communication &amp; Collaboration</b> – calling for a transformation of the relationship between the City and the business community through promoting a mindset and ethic of positive communication and constructive cooperation, and recommending formation of an independent, advisory Local Business Commission to bridge communication gaps between the business community and the City.</p>
<p><b>Built Environment</b> – the problem of vacant, unmaintained and deteriorating properties, the need to upgrade the community’s overall aesthetics, and the lack of land, housing and infrastructure inventory.</p> <p><b>Community Reputation, Image &amp; Quality of Life</b> – related to the “built environment” issues, the perceived lack of quality-of-life assets &amp; amenities needed to attract and retain employers, workers and their families in the community, combined with a stained reputation due to our “first impressions” aesthetics and “negative press” and stereotyping the community has experienced over issues of crime, public intoxication, vagrancy and panhandling</p>	<p><b>Physical Asset Development</b> – calling for a plan to address needs for improved infrastructure, cleanup of properties, upgrading aging or out-of-date building inventory, enhancing overall community image, and finding resources for new infrastructure development.</p>
<p><b>Local Business Support Needs</b> – the need for educational and technical support services to local business owners, including assistance with supply chains, tax management and access to business resources.</p>	<p><b>Support Needs of Local Businesses</b> – recommending specific attention to assistance and skill training for owners and employees, including working with local organizations, supporting local bidding on contracts, finding &amp; developing a business location, customer service, overcoming racism, and improving employee retention through reinvestment in the skill levels, morale and advancement potential of the existing workforce.</p> <p><b>Business Tools &amp; Resources</b> – highlighting tools and resources that can be tapped by local businesses to assist with sustaining and expanding their operations, including both online and organizational resources.</p> <p><b>Local Business Development Agencies &amp; Programs</b> –encouraging businesses to access organizational resources already available in the community.</p> <p><b>New Opportunities</b> – calling for a commitment by business and civic leaders to work on bringing new energy, opportunity and business into the City, including expanding the community’s outreach and marketing to build on the potential markets in outdoor and cultural tourism and in tourism generally.</p>

## ENTERPRISE AND STARTUPS

BARRIERS AND CHALLENGES	OPPORTUNITIES AND SOLUTIONS
<p><b>Business Preparedness</b> – the need for education, technical assistance and mentorship of local entrepreneurs, including youth internships, for increased attention to the needs of women and Diné entrepreneurs, start-up tools and coaching, access to resources and tools, building overall business acumen, negotiating licensing and regulations, and access to financial and other business resources.</p>	<p><b>Increase Support for Business Startups</b> – organizing and coordinating local business support services in a Business Incubator venue and program that provides one-stop-shop access to resources, mentoring, support navigating bureaucracies, business capital, and outreach to youth and other emerging entrepreneurs.</p>
<p><b>Built Environment</b> – the concern that the community does not have business-ready, affordable and location-friendly properties for new retail shops, and that local infrastructure needs upgrading, including improved traffic/transportation design, parking, walkability, and access to high-capacity broadband.</p> <p><b>Quality of Life</b> – the concern (shared by the other discussion groups) over the impact on the overall community aesthetic by the visible prevalence of crime, addiction, homelessness and vagrancy.</p>	<p><b>Community Development Initiatives</b> – addressing: the redevelopment and repurposing of existing properties; establishing new attractions and assets, such as a Riverwalk and a “Neon Mile” corridor reflecting the national Route 66 experience, a Native American Center and Trading Post tours; and beautifying and upgrading existing features such as overpasses and the Downtown.</p>
<p><b>Local Economics</b> – concerns about business finance, including the need for startup capital, the perception that chain retail companies don’t recognize Gallup as an attractive trade zone, the need for financial incentives for local entrepreneurs, the high cost of doing business such as mitigation of bad soils for new construction and the cost of purchase, rent, upgrade, and maintenance of properties.</p> <p><b>Community Relations around Public Regulation</b> – concerns (expressed in each discussion group) regarding the manner in which City standards and codes are administered and enforced, and the need for greater involvement by community members and the business community in planning and decision-making on matters that affect business; also unique difficulties experienced by Diné business owners in trying to operating businesses both on- and off-reservation.</p>	<p><b>Planning, Marketing &amp; Funding</b> – conduct an ongoing, inclusive process of planning for future development, encouraging new businesses to positively and competently reflect local cultures, promoting involvement and partnership with tribal communities and entrepreneurs, and conducting market research to provide feasible ideas for new business and to counteract adverse business factors in the community.</p> <p><b>Current Assets</b> – acknowledge the assets and resources currently on hand, as a foundation for building and growing forward, as seen in:</p> <ul style="list-style-type: none"> <li>■ <b>Outside Resources</b> – including state and federal programs such as: business loans from the Small Business Administration or (more locally) the Enterprise Loan Fund; the GRIP Ordinance; and the new Opportunity Zones program that provides tax breaks, for investors developing in high-poverty zones.</li> <li>■ <b>Physical, Program &amp; Market Assets</b> – including local properties and programs that can be supported &amp; expanded upon, such as: the commercial kitchen at the Community Pantry, MainStreet, the BID and other downtown organizations;</li> </ul>

building spaces for businesses. Business owners need to be encouraged to be better stewards of their properties and to make them more attractive.

4. **Quality of life assets & amenities.** More generally, a lot of concern was expressed regarding both the self-image and public reputation of the City, including a lack of pride, the reputation of being a low-income community with no economic growth, and a tendency to focus on the negatives. Numerous comments also addressed the overall attractiveness of the community and the lack of amenities available to residents and visitors, including the need to replace deteriorating infrastructure (especially aging water and sewer lines downtown), to mitigate traffic congestion throughout the City, to increase access to public transportation and to improve community aesthetics through beautification, landscaping and other improvements. Participants wanted to see improved sidewalks, parking and walkability in the Downtown area, as well as a more robust, reliable, high-speed broadband system Downtown and throughout the City. There was a call for more family-oriented amenities such as trampoline parks, swimming pools and specialty retail shopping options.
5. **Honor culture.** Several participants emphasized the need to embrace, honor and reflect the unique cultures of the community in all retail development and marketing

efforts, as well as to reach out and increase collaboration with neighboring tribal nations and communities.

6. **Support entrepreneurs.** A recurring theme was the need for the community to provide greater support for local businesses and entrepreneurs, including through preparedness training, mentorship, professional guidance, and access to resources and business support, such as an incubator facility. There was also a call to expand inclusion by minorities and women in business development services and opportunities.
7. **Market presence.** There was considerable discussion regarding Gallup's presence in the retail marketplace, including the need to put a brighter polish on local assets and capacities that can attract new business into the community, to create local venues, events and features of a "destination" nature, and to create greater alignment between on-the-ground reality and the "Gallup\*Real\*True" brand.
8. **Identify, plan and coordinate locations for new retail.** There were strong recommendations on the need to improve linkages and connectivity between different geographic sectors in the community, especially between the Northside and Downtown, to balance retail development and diffuse traffic problems. Additionally, there was a call to develop and implement business-friendly tax procedures, incentives, and policies, and to improve cooperation and coordination among the City,

the Business Improvement District, Main-Street/Arts & Culture District and other stakeholders in establishing policies, plans and investments in the development and upgrade of business properties.

9. **Workforce development.** Throughout most of the nine breakout sessions conducted at the Roundtable, the issue of workforce was raised as a priority concern, including the need for training of local job seekers in the soft skills and other qualifications needed by local retail employers, with particular emphasis on the need to train and upgrade skills and performance in the management positions, as well as on the need for greater focus on youth entrepreneurship skills development.

In both Keynote addresses, Place Dynamics and Legacy Alliance indicated that retailers, especially chain retailers, have a preference for siting their stores along Highway 491. Development in the area is driven by factors such as high density retail traffic, easy access to Interstate 40, newer infrastructure and facilities and sites designed to meet modern commercial retail real estate needs. However, Gallup continues to face the challenge of how to revitalize the downtown area.

## Roundtable feedback

### Evaluation

At the close of the Roundtable, participants were asked to evaluate the Roundtable on 5 criteria: Content; Expert Presenters; Workshop Process;

The Retail Priority; Personal Engagement. In summary:

- The participant response rate was 55% (25 of 45 participants submitted their evaluation forms)
- The average rating for each of the 5 criteria was in the upper "Great Value" range. Participants were most impressed with the input provided by the Expert Presenters and the Content of the Roundtable. A lesser percentage (but still in the "great value" range) was moved to consider proactive retail development as an important priority for the Gallup community. Overall average was around 7.70 on a 10-point scale.

Considering that this was the first community roundtable to focus on the possibilities for proactive retail development in Gallup, the evaluation feedback suggests that most participants viewed it as a valuable experience in which they gained new knowledge, new awareness of the priority of retail in the Gallup economy, and a new level of personal engagement in fostering new retail development in the community.

## Engagement

In addition to the evaluation, participants were asked to fill out a form entitled, "Sign Me Up." They had the option of indicating "level of interest" across seven different "disciplines" to be involved in implementing "Retail Initiative 2.0." About half of the participants "signed up" for continued engagement.

In summary: The majority of "Sign Me Up" respondents indicated a desire to "Stay Informed" of

The rankings of evaluation criteria can be summarized as follows:

Evaluation Question	AVERAGE SCORE	RANK
<b>1. CONTENT</b> <i>To what extent did you gain useful knowledge and insight from the overall Roundtable?</i>	<b>7.92</b>	<b>2</b>
<b>2. EXPERT PRESENTERS</b> <i>To what extent did the Presenters provide you with useful insights and new perspectives on the Retail challenge in Gallup?</i>	<b>8.40</b>	<b>1</b>
<b>3. WORKSHOP PROCESS</b> <i>To what extent did you find the table-by-table workshop process helpful in learning other people's ideas and issues?</i>	<b>7.52</b>	<b>4</b>
<b>4. THE RETAIL PRIORITY</b> <i>To what extent did you gain more appreciation of the importance of Retail in the Gallup region, &amp; the need for the community to be proactive in developing new and stronger Retail?</i>	<b>7.00</b>	<b>5</b>
<b>5. PERSONAL ENGAGEMENT</b> <i>To what extent were you inspired to actively support and/or participate in proactive Retail development in the Gallup region, going forward?</i>	<b>7.68</b>	<b>3</b>
<b>OVERALL AVERAGE SCORE:</b>	<b>7.70</b>	

developments in virtually every action path; a lesser number "signed up" as active participants in those disciplines; and a few individuals offered to lead, coordinate and convene stakeholders in a few of the disciplines.

## Next steps & recommendations

Emerging from the Roundtable was a common commitment to continue discussing, planning and implementing strategies to foster a robust retail economy in Gallup in the coming years. Working groups will begin to meet in alignment with 7 or more core and affiliated retail disciplines, including:

- Core Retail Development Disciplines

- Attraction & Recruitment
- Retention & Expansion
- Startups & Youth Enterprise
- Affiliated Disciplines
  - Jobs & Workforce Development
  - Quality of Life & Community Development
  - The Industry-Retail Connection
  - Data & Web-based Communications

GGEDC will share this report with stakeholders who attended this Economic Roundtable on Retail Attraction & Development and will post the report on the GGEDC web page. GGEDC will use the report to facilitate the continuation of the retail development effort. The data detailing the various challenges and barriers and the opportunities and challenges to retail development in Gallup forms a good starting point for continuing and amplifying this critical dialogue and for involving a broader slice of the Gallup retail community and other local stakeholders to weigh in on, prioritize, develop, and address themes identified in the Retail Attraction and Development Roundtable breakout groups.

Based on a number of conversations at the Roundtable and by the Retail Attraction Steering Committee, and in addition to a local Business Commission as proposed in the Roundtable to strengthen the business voice and bridge relations with the City, there is a clear need for an organizational framework for the Retail Initiative itself going forward. A concept paper will be drafted

The overall responses can be summarized as follows:

CATEGORY/DISCIPLINE	LEVEL OF INTEREST/COMMITMENT			
	1 Stay In- formed	2 Sign Me Up/ Participate	3 Lead Coordinate Convene	TOTAL
<b>CORE RETAIL DEVELOPMENT DISCIPLINES</b>				
<b>Attraction &amp; Recruitment</b> <i>Working to bring new retailers in from the outside. Helping to market the community and host prospects.</i>	16	5	1	22
<b>Retention &amp; Expansion</b> <i>Working to build new retail "from the inside-out." Helping existing entrepreneurs to expand based on priority retail targets.</i>	13	7	0	20
<b>Startups &amp; Youth Enterprise</b> <i>Working to promote and support new locally-owned business. Helping youth &amp; other emerging entrepreneurs to build their own retail enterprise.</i>	11	9	3	23
<b>AFFILIATED DISCIPLINES</b>				
<b>Jobs &amp; Workforce Development</b> <i>Focusing on retail jobs and helping local workforce to get employed and advance in retail business.</i>	12	9	1	22
<b>Quality of Life &amp; Community Development</b> <i>Working to improve overall community attractiveness and expand accommodations &amp; amenities that attract and retain business &amp; residents.</i>	9	11	3	23
<b>The Industry-Retail Connection</b> <i>Working to build confidence by economic-base employers &amp; employees in the community's retail base, and identifying new retail demand by industry.</i>	14	5	0	19
<b>Data &amp; Web-Based Communications</b> <i>Working to actively mine/compile existing &amp; new data sources to track economic data related to retail growth. Coordinating data analysis &amp; dissemination across disciplines, &amp; managing web-based communications.</i>	14	5	0	19
<b>OTHER: Working in other ways to support the Initiative</b>				
<b>Partnerships</b> <i>Connecting our students to employers/creating businesses</i>	1			
<b>Youth</b> <i>Expanding young adult opportunities, internships, mentoring programs, workshops, etc.</i>		1	1	
<b>Community Involvement</b> <i>Keep bringing awareness that Gallup needs everyone, pulling together.</i>	1			

outlining the essentials of a new Consortium organization, composed largely of the entities on the Steering Committee, and proposing a budget plan for the work needing to be done to implement and sustain the strategies of the Initiative. Execution of an action plan and administrative structure will depend on resources to be made available from public and private sources.

A “Roundtable II” was proposed to be held in Gallup this Spring, to be organized by the Retail Attraction Steering Committee subject to the availability of resources. In parallel, a team of local stakeholders and consultants registered to attend the RECon conference in Las Vegas, NV in May for the purpose of connecting with particular retail targets in the national marketplace.

**NOTE:** *In light of recent mandated restrictions in connection with the Coronavirus outbreak, these meeting events will likely be on hold for the immediate future.*

## Consultant Recommendations

In addition to the above activities and the cross-cutting themes captured from the Roundtable workshop process as summarized in this report, consultant Michael Stumpf of Place Dynamics LLC provided a number of strategic recommendations in the Roundtable White Paper, drawn largely from the Market Study being finalized in parallel with the Roundtable process. Those recommendations are summarized below:

1. Establish a realistic goal for the additional sales that can be captured, along with a timeline that recognizes the time needed to

implement adopted strategies. Set a realistic goal to capture a certain dollar sum or share of the market. It should recognize that initiatives will be implemented incrementally and may take years to show measurable results.

2. Ensure that available sites and buildings are in turn-key condition and presented in a favorable condition. In the Highway 491 area, this includes the few vacant storefronts, potential redevelopment sites on the mall parking lot, and Maloney Avenue frontage. Route 66 offers available buildings and development (or redevelopment) sites, but the condition of many will not be appealing for chain, or potentially other businesses. Downtown shows high demand for space, but few vacant buildings or ready redevelopment sites. Initiatives that might be considered include infrastructure development, redevelopment planning and projects, code revision and enforcement, and incentives for property improvement.
3. Encourage a greater share of the traffic passing Gallup to visit, and extend the length of stay to increase the chance that visitors will patronize local businesses. Gallup is the largest service center for traffic between Albuquerque and Flagstaff. It supports a massive trade in Native American arts and crafts, as well as other goods, and culture. Along with other parts of McKinley County, it also has one of the longest

*“There is a clear need for an organizational framework for the Retail Initiative itself going forward. A concept paper will be drafted outlining the essentials of a new Consortium organization, composed largely of the entities on the Steering Committee, and proposing a budget plan for the work needing to be done to implement and sustain the strategies of the Initiative.”*

and most historic segments of Route 66. Any of these might be a reason for passing traffic to get off the interstate, but none are pursued to the degree that they might be. Possible initiatives that could be implemented include:

- a. Billboard signage advertising the concentration of lodging, gas, food, and other businesses in Gallup. Tukumcari and Santa Rosa might be looked to as models, advertising hundreds of miles out from the city, along the interstate. Native American goods and Route 66 can also be advertised.
- b. Roadside signage for Historic Route 66, the downtown, and

other key features. This signage (including state highway signs) will help to inform passing traffic of available attractions and draw additional attention to exits.

- c. Enhancements are needed to Route 66 to deliver the experience that visitors expect from this historic road. While having some significant remnants of its heyday, the current condition of Route 66 does not fit the vision of what many visitors want to see, as chain prototype buildings and other unsympathetic development have made parts of it look like “Anyplace”. Planning for the corridor could highlight existing assets, improve the overall appearance as well as develop a Gallup Route 66 brand, and encourage design that contributes to the feel of the “Mother Road”. Tulsa is an example of a community that is in the early stages of implementing a program for its segment of the highway.
4. Promote existing business expansion and startups from within the community. There is a great deal of untapped potential in both existing businesses and entrepreneurship in the area. These businesses are

important in that they fill niches that do not fit within the parameters of the various chains, and they help to create a unique identity for the city. Actions that may be considered include:

- a. Foster business startups. Some research is needed to document the past startup trend and to determine what barriers there are to starting a business in Gallup. Specific programs may then be developed to help entrepreneurs overcome these hurdles. Examples include technical assistance and mentoring, financial and in-kind assistance, and provision of low-cost space. One idea may be to develop a marketplace for startups as part of the Route 66 experience.
- b. Encourage business growth. These initiatives mostly seek to fill gaps in the market or attract additional customers to businesses. For example, a handful of Gallup’s restaurants are doing a good job of catering to the visitor market, but others might consider how design, menu selections, advertising, and other aspects of the business could be tweaked to be more appealing to a visitor market for dining that is larger than the resident market.

- c. Conduct customer survey research. Gallup can implement a program of periodic survey research to develop a better understanding of customer patterns, including where and when they shop, the goods and services they leave the area to purchase elsewhere, and their perceptions of the community and its businesses. This will help to guide future actions at the individual business, or collective level.
5. Implement a focused program of business attraction. New business attraction will help to grow the share of the market that Gallup captures, rather than simply redistribute existing sales. A greater concentration of businesses will help to retain customers that now leave the area to shop elsewhere, whether for a larger selection or because what they want can’t be found locally. When they do not leave Gallup to shop elsewhere, the chance that they will patronize other Gallup businesses increase.

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# APPENDIX B: TARGETED BUSINESS INFORMATION

The following is general background information along with contacts for the retail targets identified in the market analysis.

## 24-Hour Fitness

24-Hour Fitness operated over 430 clubs in 14 states. This does not, yet, include New Mexico, although they are in Colorado and Texas. Headquartered in San Ramon, California, 24 Hour Fitness is a leading health club industry pioneer, serving 4 million members across the U.S. The company generally seeks sites with a population of 100,000 within three miles and a traffic volume of 30,000. Buildings need to offer 28,000 to 42,000 square feet, have highly visible signage, and parking for 250. 24-hour access is required.

National Portfolio Management  
Craig Hardy  
Senior Director of Real Estate  
12647 Alcosta Blvd., 5th floor  
San Ramon, CA 94583  
925.543.3100 ext 3230  
[chardy@24hourfit.com](mailto:chardy@24hourfit.com)

## Advance Auto Parts

Advance Auto Parts, Inc. is a leading automotive aftermarket parts provider that serves both professional installer and do-it-yourself customers. As of April 18, 2020, Advance operated 4,843 stores branches in the United States, Canada, Puerto Rico and the U.S. Virgin Islands. The Company also serves 1,258 independently owned Carquest branded stores across these locations. Advance Auto Parts will lease or develop its own sites, including prominent corners or outlots, existing freestanding buildings, endcaps or prominent inline locations, and build-to-suit opportunities. High traffic locations within retail corridors are preferred. The chain has a preference to own its real estate.

Existing buildings need to provide 6,800 to 8,000 square feet with loading areas, a minimum 12-foot ceiling height, and minimum 60 feet of frontage. Freestanding is preferred. Lot sizes will typically be 30,000 to 40,000 square feet. At least 25 parking spaces are required. Prototypes may be viewed at <https://corp.advanceautoparts.com/realestate/>.

Ken Ormsby  
Advance Auto Parts  
Attn: Real Estate Department  
5008 Airport Rd.  
Roanoke, VA 24012  
317-496-2592  
[ken.ormsby@advance-auto.com](mailto:ken.ormsby@advance-auto.com)

## Aldi\*

Aldi is not yet located in New Mexico, but continues to expand with the goal of covering the entire nation. Headquartered in Batavia, Illinois, ALDI now has more than 1,900 stores across 36 states, employs over 25,000 people and has been steadily growing since opening its first US store in Iowa in 1976.

The no-frills grocery shopping experience focuses on customers first - delivering high quality food they're proud to serve their family, responsive customer service, everyday low prices and a quick-and-easy shopping experience with only four to five aisles and all the essentials. We carry the weekly must-haves and display them in their designed shipping boxes to help save time and resources to restock shelves. Shoppers will find more than 90 percent of the groceries offered are under ALDI exclusive brands.

Aldi stores have a 22,000 square foot prototype with a minimum of 95 parking stalls. Freestanding stores are typically company-owned and located on a 2.5 to 3-acre site. Endcap and inline spaces with at least 103 feet of frontage are considered. The company prefers to locate store at signalized intersections with 20,000 vehicles per day, in commercial districts convenient to the population. Prototypes can be viewed at <https://corporate.aldi.us/en/real-estate/real-estate-opportunities/>. As the chain does not presently have stores in

the region, the Texas (Denton) division may be the most appropriate contact.

Denton Division  
2500 Westcourt Road  
Denton, TX 76207  
Jon Tempel  
832-945-6500 x123  
[Jonathan.Tempel@aldi.us](mailto:Jonathan.Tempel@aldi.us)

## **American Home Furniture and Mattress**

American currently has locations in Albuquerque, Santa Fe, and Farmington. This is a New Mexico chain with seven locations. Although operating from three communities in the state, they deliver to a large geographic region including parts of Arizona, Colorado, Utah, and Texas.

American Home Furniture and Mattress  
3535 Menaul Blvd NE  
Albuquerque, NM 87107  
Ted Leveque, President  
(505) 883-2211

## **Bashas'**

Bashas' Family of Stores is a family-owned and – operated grocer that began back in 1932 when Brothers Ike and Eddie Basha, Sr. opened the first Bashas' grocery store. The chain currently operates more than 130 stores, mostly in Arizona. The Bashas' family of stores includes four distinct formats: Bashas', Bashas' Diné, AJ's Fine Foods, and Food City. The Bashas' Diné Markets are located on the Navajo Nation. They specialize in the needs of Navajo customers, with products such as Blue Bird flour for fry bread, mutton, and wool. Stores are labeled in both Navajo and English. The chain's close relationship to the Navajo Nation may be an advantage in approaching this target, but they have not been in an expansion mode. In 2019 the chain opened its first new store in a decade, a 16,000 Bashas' Diné Market in Sanders, Arizona.

Bashas'  
22402 S. Basha Road  
Chandler, AZ 85248  
Eddie Basha, Chairman  
Mariane Owan, Senior Property Manager

## **Big O Tires**

Big O Tires is an industry-leading tire and auto-repair franchise, offering total car-care services: oil change, brake repair, fluid services, wheel alignment, suspension systems repair, batteries and more. Big O's Preferred Fleet Care provides guaranteed service tailored to meet diverse business needs — big and small — ensuring fleets operate safely and profitably with limited downtime. Big O has more than 440 stores across the U.S., mostly in western states, operating through franchisees. Nearby locations include Farmington, Aztec, Cortez, Durango, and several in the Albuquerque market. The approach to this target should begin by reaching out to the franchise operators in these locations to determine interest in adding a Gallup store.

## **Big R**

Big R, founded in 1962 in the small towns of La Junta and Lamar, CO, began as a small family owned and operated business. To this day, the same family owns and operates these 27 stores from Southern Colorado, where they were all born and raised. From its inception Big R has strived to be the dominant farm, ranch, and home retail chain for each of the markets it makes home. Big R has stores in Colorado, New Mexico, and Texas, with nearby stores in Farmington, Bloomington, Cortez, Santa Ana Pueblo, Santa Fe, and Las Vegas.

100 Big R Street  
Pueblo, CO 81001  
719-948-3030 (Home Office)  
Adam Carroll, Chief Operating Officer

## Buckle

The Buckle, Inc. is a retailer of medium to better-priced casual apparel, footwear, and accessories for fashion-conscious young men and women. The company's criteria used when considering a particular location for expansion include:

- Market area and proximity to existing markets to capitalize on name recognition;
- Trade area population (number, average age, and college population);
- Economic vitality of market area;•Mall location, anchor tenants, tenant mix, and average sales per square foot;
- Available location within a mall, square footage, storefront width, and facility of using the current store design;
- Availability of experienced management personnel for the market;•Cost of rent, including minimum rent, common area, and extra charges;
- Construction costs, including landlord charge backs and tenant allowances.

The Company generally seeks sites of 4,250 to 5,000 square feet for its stores. The projected cost of opening a store is approximately \$1.0 million, including construction costs of approximately \$0.8 million and inventory costs of approximately \$0.2 million. A small number of stores have been opened in recent years.

Buckle Inc.  
2407 West 24th Street  
Kearney Nebraska 68845  
Brett P. Milkie  
Senior Vice President–Leasing Division

## Burlington

Burlington Stores, Inc., headquartered in New Jersey, is a nationally recognized off-price retailer with Fiscal 2019 revenues of \$7.3 billion. The Company is a Fortune 500 company and its common stock is traded on the New York Stock Exchange under the ticker symbol “BURL.” The Company operated 727 stores as of the end of the fourth quarter of Fiscal 2019 in 45 states and Puerto Rico, principally under the name Burlington Stores. The Company’s stores offer an extensive selection of in-season, fashion-focused merchandise at up to 60% off other retailers’ prices every day, including women’s ready-to-wear apparel, menswear, youth apparel, baby, beauty, footwear, accessories, home, toys and coats. Burlington had planned to add fifty new stores in 2020 and earmarked \$310 million for its expansion efforts, but it is not clear how the Covid-19 crisis will affect those plans. Unlike most retailers, Burlington does not have an e-commerce platform to provide some revenue while physical stores are closed.

Stores can be located in a variety of setting and co-tenancy with other off-price retail is favored. Trade areas usually are middle income and have a population of 200,000. Building size can range from 35,000 to 50,000 square feet.

2006 Route 130 North  
Burlington, New Jersey 08016  
Eric Corpuz – Director (Western Territory)  
858-395-4084  
[eric.corpuz@burlington.com](mailto:eric.corpuz@burlington.com)

## C-A-L Ranch Supply

C-A-L Ranch began in Idaho Falls, Idaho, and expanded into the West Jordan, Vernal, Layton, and St. George, UT markets between 2008 and 2012. C-A-L Ranch Stores entered Nevada in 2008 with a store in Elko, another in Carson City in 2012, and Las Vegas in 2013. Between 2011 and 2015, C-A-L Ranch Stores entered Arizona with stores in Flagstaff, Prescott, Show Low, Casa Grande, Goodyear, Sierra Vista, and just recently completed their 25th store in Yuma. It operates a total of 25 stores and has a distribution center in Payson, Utah. Gallup, along with other communities in the Four Corners, represents a logical site for expansion that is easily served by the existing distribution network.

C-A-L Ranch Stores – Support Center  
976 Curlew, PO Box 1866  
Idaho Falls, ID 83401  
William Bunker, VP – Store Operations  
855-881-5540 (general number)

## **Carpet One Floor and Home**

Carpet One is a cooperative of over 1,000 independently-owned stores, and is the largest buyer of floor coverings in the United States. Expansion opportunities could include startups, but may be more likely to come through the expansion of existing affiliated retailers in the Four Corners region, including Farmington and Albuquerque. The nearest locations include:

- Carpet One Floor & Home, 3456 East Main Street, Farmington, NM
- Ray's Flooring Carpet One Floor & Home, 7401 Los Volcanes NW, Albuquerque, NM
- Dominguez Carpet One Floor & Home, 1000 Cerrillos Road, Santa Fe, NM
- Canyon Carpet One Floor & Home, 3900 E Route 66, Flagstaff, AZ
- Village Interiors Carpet One Floor & Home, 22 Trinity Lane, Pagosa Springs, CO

## **Cavender's**

Cavender's is a regional chain of more than 80 stores specializing in western wear. Centered in Texas, its stores extend as far west as Albuquerque and El Paso. It usually prefers markets larger than Gallup, outside of Texas. Cavender's has been named the nation's top retailer for many prestigious companies such as Lucchese, Justin, Tony Lama, Laredo, Nocona, Rocky Mountain and Wrangler.

2019 WSW Loop 323  
Tyler, TX 75703  
903-509-9509  
Joe Cavender, President  
Mike Cavender, Site Selection

## **Christopher and Banks**

Christopher & Banks operates 445 stores nationally as a value-priced retailer of women's specialty apparel that caters to women of all sizes from petite to missy to women's (plus). Most stores are in mall locations.

Christopher & Banks  
2400 Xenium Ln N  
Minneapolis, MN, 55441-3626  
Donna Fauchald, VP Real Estate & Construction  
(763) 551-5110  
[dfauchald@christopherandbanks.com](mailto:dfauchald@christopherandbanks.com)

## **Costco**

Costco Wholesale Corporation operates an international chain of membership warehouses, mainly under the "Costco Wholesale" name, that carry quality, brand name merchandise at substantially lower prices than are typically found at conventional wholesale or retail sources. The warehouses are designed to help small-to-medium-sized businesses reduce costs in purchasing for resale and for everyday business use. Individuals may also purchase for their personal needs.

The chain is seeking new locations in high-density business districts, generally with access to a market of 200,000 persons and a median income of \$75,000. These figures are variable within more rural settings such as Gallup. A 14 to 16-acre site is needed, with a prototype freestanding building of 160,000 square feet. The site must accommodate 750 parking spaces and a fueling station. Costco prefers to own its real estate.

Costco Headquarters  
999 Lake Dr.  
Issaquah, WA 98027  
Dave Messner – Senior Vice President, Real Estate Development

Jennifer Murillo, Director of Real Estate  
9 Corporate Park  
Suite 230  
Irvine, CA, 92606  
(714) 978-5027  
[jmurillo@northwestatlantic.com](mailto:jmurillo@northwestatlantic.com)

## Defined Fitness

Defined Fitness is a regional fitness chain with nine gyms in Farmington, Santa Fe, and the Albuquerque market. Recently-opened centers have been 40,000 square foot in freestanding or inline space. At the time the fifth location opened, the chain was reported to have 40,000 members, or roughly 8,000 per location. This suggests that a Gallup location might be considerably smaller.

4930 McLeod NE  
Albuquerque, NM 87109  
Maria Lamar, Marketing Director  
505-888-7097

## Discount Tire

Discount Tire is America's largest independent tire and wheel retailer. Our 1,000+ locations across 35 states provide a wide range of product choices, affordable pricing, and expert staff. The nearest store is located in Farmington.

Discount Tire – New Mexico Regional Office  
8220 San Pedro Dr. NE, Suite 440  
Albuquerque, NM 87113  
(505) 797-7100

Sharon Weber, Real Estate Manager  
Discount Tire  
16100 N. Greenway-Hayden Loop  
Suite E-100  
Scottsdale, AZ 85260  
(602) 996-0201

## El Super / Fiesta Mart

Bodega Latina Corporation, doing business as El Super, Fiesta Mart, and Fiesta Mexicana Market, currently operates a total of 122 stores across California, Arizona, Nevada, New Mexico, and Texas and revenues of approximately \$3 billion. Over 50 percent of the fast growing U.S. Hispanic population resides within the five states in which the company operates. Headquartered in Paramount, California, El Super is focused on offering exceptional service and quality products in clean, modern and welcoming stores.

Bodega Latina Corporation  
14601B Lakewood Blvd.  
Paramount, CA 90723  
Lilia Rodriguez, Community Relations Manager  
562-616-8810  
[lilia.rodriguez@elsuper.org](mailto:lilia.rodriguez@elsuper.org)

## Floor Trader of Farmington

The Floor Trader Cooperative is the independently owned outlet flooring division of CCA Global Partners. The chain has grown through franchising, and currently has its nearest locations in Farmington and Colorado Springs.

Corporate Headquarters  
4301 Earth City Expressway  
Earth City, MO 63045

## Flooring America

Flooring America is a cooperative with each store locally-owned. There are three locations in New Mexico including Farmington, Albuquerque, and Las Cruces.

6550 E Main Street  
Farmington, NM 87402  
Alan Shupe, Owner  
(505) 427-2447

8515 Paseo Alameda NE  
Albuquerque, NM 87113  
(505) 219-2316

## Kiva Carpet and Tile

Kiva Carpet and Tile was founded in 2001 and is an independently owned flooring store, based in Farmington.

205 E Broadway St  
Farmington, NM 87401  
T. Steven Angelo, Co-Owner  
Stuart Grove, Co-Owner  
(505) 327-5400

## Lloyd's Carpet and Draperies

Lloyd's Carpet was started in 1996 and is located in Farmington. It is independently owned.

122 E Main St  
Farmington, NM 87401  
Lloyd Engelbrecht, Owner  
(505) 325-7774

## Lowe's Home Improvement

Lowe's operated more than 2,200 home improvement centers in the US and Canada, with 1,728 Lowe's stores in the U.S., generally open seven days per week and averaging 112,000 square feet of retailing space. Headquartered in New Jersey, the chain has a "support center" (direct phone sales and customer contact) in Albuquerque. It is one of eight in the country.

Prefers a middle to upper income population of 75,000 and larger, and will consider endcap or free-standing locations in power centers, and community strip centers. Stores are 75,000 square feet and larger. Expansion slowed in 2019 as the company focused on internal improvements, and closed a handful of stores.

Mark Stoner  
Director - Real Estate  
(949) 891-9017  
[mark.a.stoner@lowes.com](mailto:mark.a.stoner@lowes.com)

Clair Griffith, CMD, CSM  
Real Estate Manager  
5919 Calmfield Ave  
Agoura Hills, CA, 91301  
(714) 337-4585  
[clair.s.griffith@lowes.com](mailto:clair.s.griffith@lowes.com)

## Marshall's / TJ Maxx

Marshall's, along with TJ Maxx, HomeGoods, and Sierra (all part of the TJX parent) are among a number of large off-price chains that have grown in popularity, even as the overall bricks and mortar retail industry has been in a decade of decline. Well-represented in other parts of the country, they have few locations in New Mexico or the Four Corners region. New stores are being opened at a pace of about 250 per year. With only a minor online presence, it is not certain how the coronavirus will impact future expansion.

George Drummey  
Executive Vice President Real Estate and Property Development  
770 Cochituate Road  
Framingham, MA, 01701  
(774) 308-6760  
[george\\_drummey@tjx.com](mailto:george_drummey@tjx.com)

## Petco

Petco operates more than 1,500 Petco locations across the U.S., Mexico and Puerto Rico, including more than 65 Unleashed by Petco locations, a smaller format neighborhood shop; complete pet care services and veterinary advice through Pet-Coach; and petco.com. Petco prefers buildings in a range from 18,000 to 27,000 square feet in free-standing or strip centers.

Allison Sterrett  
Director of Real Estate  
708 Country Club Drive  
Rockwall, TX, 75032  
858-677-3008  
[allison.sterrett@petco.com](mailto:allison.sterrett@petco.com)

## **PetSense**

Petsense is a small-box, pet specialty retailer focused on meeting the needs of pet owners, primarily in small and mid-size communities., which has been growing its store count by about 20 percent annually. In 2016 is was acquired by Tractor Supply Company and operates as an independent subsidiary. The chain has several locations in the Albuquerque area, and most of the larger cities in New Mexico, along with nearby sites in Show Low and Cottonwood in Arizona. Stores are approximately 5,200 square feet in size and are usually found in neighborhood or community strip centers. In recent years they have opened about 20 new stores annually.

5401 Virginia Way, Suite 203  
Brentwood, Tennessee 37027

## **Planet Fitness**

Planet Fitness operates a network of more than 2,000 franchised fitness centers, with a model emphasizing low cost, no commitment, and 24-hour access.

## **Play it Again Sports**

Play It Again Sports is the largest sporting goods resale franchise in North America. All stores are independently owned. There are two stores in Albuquerque as well as one in Las Cruces.

7401 Menaul Blvd NE  
Albuquerque, NM 87110  
John Welch, Owner  
505-881-0551

3301 Coors NW Ladera Shopping Center  
Albuquerque, NM 87120  
505-890-7041

## **Ross Stores**

Ross Stores, Inc. operates a chain of off-price retail apparel stores which target value conscious men and women between the ages of 25 and 54 in white collar, middle-to-upper middle income households, which the company believes to be the largest customer segment in the retailing industry. The decisions of the company, from merchandising, purchasing and pricing, to the location of its stores, are aimed at its customer base. The company offers its merchandise at low everyday prices, generally 20 percent to 70 percent below regular prices of most department and specialty stores. The Company operates Ross Dress for Less (“Ross”), the largest off-price apparel and home fashion chain in the United States with 1,546 locations in 39 states, the District of Columbia, and Guam. The Company also operates 259 dd’s DISCOUNTS in 19 states.

In fiscal year 2019 the chain added 98 new locations including 42 in the Midwest, across Illinois, Indiana, Kentucky, Nebraska and Ohio. In March of 2020 the chain still planned to open 100 new locations during the year, including 75 Ross Stores and 25 dd’s Discount stores.

## Sam's Club

Sam's Club is the membership warehouse store that is part of the Walmart umbrella. It competes with Costco and BJ's. Walmart is said to have no interest in a Gallup location because of the volume of business at its store, and the likelihood that Sam's Club sales will be transferred from that store. While this may be true under existing circumstances, a changed retail landscape may provide them incentive to reconsider. If there are additional competitors in the community (ex., Costco, Target, additional grocery stores, etc.), existing Walmart sales will be transferred to those other stores. Walmart may see its best opportunity to still capture Gallup's market by opening a Sam's Club that will compete with these other stores.

Walmart operates approximately 11,500 stores under 56 banners in 27 countries and eCommerce websites in 10 countries. There are 599 Sam's Club locations in the US.

## Target

75 percent of the US population lives within ten miles of one of 1,871 Target stores in the United States. The nearest locations to Gallup, though, are Farmington, Flagstaff, and Albuquerque. Target does not generally locate in places it considers as "rural" markets, but is probably underestimating the size of the city's trade area, and may be influenced by the volume of business at Walmart.

## Torrid

Torrid LLC is an American women's retail chain formerly owned by Hot Topic. While it is still owned by Sycamore Partners, owners of Hot Topic, in 2015 the company branched off to become Torrid, LLC. The store offers plus-size clothing and accessories for women size 10-30. As of 2020, Torrid has over 600 stores in operation across 36 states in the United States.

18501 E. San Jose Ave.  
City of Industry, California 91748  
(626) 667-1002

## Zapaterias Pedrito

Zapaterias Pedrito is a locally-owned chain of two boot and western wear clothing stores located in Albuquerque.

927 Sunset Road Southwest  
Albuquerque, New Mexico 87105  
(505) 244-0382

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# APPENDIX C: RESPONDING TO THE COVID-19 CRISIS

As this study was completed in January of 2020, and presented to stakeholders in early February, the world economic climate and the environment for commercial businesses were about to be battered by the emergence of a new virus, restrictions on businesses and consumer activity, and a global economic contraction. In June of 2020 we are still in the midst of the pandemic and economic turmoil, although restrictions on businesses are beginning to be lifted. While much of this market analysis will retain value, retail, dining, and lodging businesses will need to adjust their strategies to survive.

## Understanding the impacts

In attempting to slow the spread of the coronavirus, many governments required non-essential businesses to temporarily shut down. Most types of retail stores and restaurants were included in these orders, although some have been permitted to offer delivery, drive-through, and curbside pick-up orders. Many hotels were also closed or limited to essential travelers. These restrictions have continued into June within the City of Gallup, which lies in an area especially hard-hit by the virus. For a period of time, entrances to the city were closed to non-residents, depriving the remaining businesses of visitor traffic that is vital to many of them.

Business closures, even if temporary, will have a lingering impact. Some of these businesses will not reopen. Several chains have filed for bankruptcy or announced a reduction in store counts. J.C. Penney

and Stage (the parent of Beall's and Gordman's) are among them. Penney's initial list of store closures does not include Gallup, but it seems increasingly likely that Beall's will not be replaced by Gordman's as management at Rio West Mall has expected. There is also likely to be a significant number of closures among the city's local and franchised businesses, as many will not have the financial resources to survive months without income, even as costs continue.

The Federal Emergency Management Agency (FEMA) estimates that 40 percent of businesses do not reopen after a typical disaster, and another 25 percent fail after one year. The reasons include business losses, forced changes to costs and cash flow, the loss of markets, employees, and suppliers, and difficulties in reestablishing the business. Some of these do not apply in the current crisis, but businesses will face diminished demand due to a recession economy, altered consumer patterns among both residents and visitors, and the need to modify business practices which can impact profitability.

It is expected that we will continue to need to respond to the virus for at least the next year, as changing rates of infection may trigger business restrictions, even after the initial recovery. Concerns about the virus will also have an impact on customer behavior. Examples include the sharp drop in demand for eating out, and the accelerated pace of online shopping.

We are still at the beginning of the economic crisis. While most experts suggest that it is already the worst recession since the Great Depression, there is a sense that this reality has not yet hit home. Many people who were laid off as businesses closed expect to return to work, and federal stimulus payments have mitigated much of the initial financial pain that households might experience. As a growing number of businesses close their doors for good, lay off employees who were carried through on the Payroll Protection Program, or make cuts due to flagging demand, even as stimulus programs expire, consumers will become less optimistic. On 10 June 2020, the Federal Reserve Bank released its projection that unemployment will remain at 9.3 percent by year's end, and remain above six percent through 2021.

These issues suggest a difficult road ahead for retail, dining, and lodging businesses. Distancing requirements will cause a significant loss of productivity (sales per square foot), while adding costs to protect employees and customers, even as demand is impacted by lowered earnings and fewer travelers. Gallup needs to consider interventions that can help its businesses respond to this new environment.

## Recovery priorities for the commercial sector

A typical disaster response might have four phases: 1) an immediate response to the unfolding crisis; 2) initial re-establishment of critical services and

resumption of operations at minimally-affected operations; 3) planning and the alignment of resources for long-term recovery; and 4) implementation of a recovery plan. The current crisis is unusual in that its duration is uncertain, but also in that it leaves behind no physical damage. This means that planning initiatives will tend to favor business strategy and infrastructure enhancement, as opposed to reconstruction. It also suggests the need to build in measures to mitigate future impacts if there is a resurgence in the virus, and the need to resume restrictions on businesses.

Based on both needs and opportunities, it is recommended that Gallup adopt the ranked priorities of first re-establishing existing commercial businesses, then developing initiatives to encourage startups, followed by recruitment to fill gaps and enhance the market's drawing power. While there will be some overlap of these activities, the immediate goal should be to prevent the loss of as many businesses as possible. At the same time, since many chain businesses have shelved expansion plans, launching a broad recruitment campaign in this climate will not provide a good return on investment.

## Recommended strategies

The following actions will position Gallup for recovery. They are organized under two broad grouping of establishing a framework to execute a recovery strategy, and actions specific to recovery. Elements of the commercial development strategy contained in the project report can be incorporated into this approach.

1. **Establish an organizational framework to carry out recovery activities.** The question

of what organization should be responsible for executing the commercial development strategy was undecided even prior to the Covid-19 crisis. Individual tasks may fall to different organizations, but there is a need to carry out tasks and provide technical experience. Discussions have centered around various organizations in the community, the potential to outsource tasks, or a combination of the two approaches. Elements of the organizational structure will include the following.

- a. **Lead organization.** This will be the organization with oversight authority. Its selection may be dependent upon the sources of funding, such as grants (and eligibility).
- b. **Coordinator.** This is the person serving in the coordinating role. It may not be the same person providing services. Their responsibility will be to act as an interface between partners and to administer the program (such as fulfilling grant reporting requirements).
- c. **Technical provider(s).** These are the subject experts tasked with implementing the strategy. They can be internal to the organization or contracted to provide specific services.
- d. **Advisory committees.** It is recommended that there be involvement from the business community, in

the form of advisory committees. These might initially include a retail committee and a restaurant committee to provide insight into recovery issues. Additional committees might be added later, addressing topics such as entrepreneurship and recruitment.

2. **Tap available funding for organizations.** As response to the pandemic and to the ensuing economic crisis, federal and state governments, as well as private organizations, are making grant funding available to assist in recovery. Already, the US Economic Development Administration is accepting applications for \$1.5 billion in CARES Act funding that can be used for both planning and implementation of programs to assist businesses impacted by the crises, as well as for more general recovery. The City and other organizations in the region are eligible for funding. This would be a likely source of assistance for any of the City's initiatives related to recovery, along with many of the recommendations in the project report.
3. **Develop a structure for continual communication.** In any crisis, one of the greatest challenges for local economic developers is to have an effective way to communicate with the businesses they serve. Building effective communication channels should be a priority.
  - a. **Email database / contact list.** The lead organization should develop a

comprehensive contact database with address, phone, and email data for the primary contact for businesses in the city. While many may not respond, a target of 80 percent of the total would be an appropriate goal.

- b. **Social media and online platforms.** Multiple online platforms should be developed to provide information, including social media (Facebook, Twitter, Instagram) and a website.
  - c. **Media outreach.** Local media should be provided with regular notice about initiatives and outcomes of the project.
4. **Monitor business data along with needs and sentiment.** There are two components to this task. One is to track data concerning commercial businesses. The second is to interact with the business community to assess their evolving needs.
    - a. **Survey capabilities.** Continual survey research can be conducted using the survey database. Rather than a single long survey, it may be more productive to prepare surveys around prioritized topics, and including two or three benchmarking questions related to business sentiment. These surveys can be issued every other month to avoid survey fatigue. Different

surveys may go out to different types of businesses.

- b. **Track available metrics.** Several possible data sources can provide insight into changing conditions, and even customer behavior. Some that are already in use include sales and use tax reports (retail) or STR reports (lodging). Private companies offer additional insight, such as monitoring of foot traffic, but at a significant cost. Such information would also be helpful to businesses as they make marketing and merchandising decisions, though.
  - c. **Collect data from customers.** Gallup has not yet conducted any surveys of its consumers. This would be an important step in gathering insight that can be helpful in implementing a commercial development strategy, and for retailers and restaurants in making business decisions. Again, multiple surveys, delivered over time, may be a more effective approach. Surveys might address different topics (dining, general retail, grocery shopping, etc.) or audiences (residents of the trade area or visitors).
5. **Provide business training in one-on-one or group sessions.** This might include preparing online, recorded content to create a library of information about relevant topics.

Topics that can be addressed include safety measures and requirements upon reopening, alternative marketing approaches, adoption of technology, or long term continuity planning. A number of different experts can be sought to provide the content.

6. **Act as a resource to improve the effectiveness of marketing.** The lead organization should be a repository of detailed, specific information to enhance the effectiveness of marketing, whether conducted by individual businesses, or by the organization and its partners. Technical services should be provided to businesses to refine targets and strategies.
7. **Assist the City in making regulatory adjustments to respond to the crisis.** Across the nation, local governments are revising ordinances and policies to ease recovery for their impacted businesses. These include actions like making sidewalk space available for outdoor sales and dining, setting up public sanitizing stations, easing alcohol regulations, and streamlining inspections or other routine interactions. The lead organization should advise the City concerning actions it can take, and provide models it may consider.
8. **Assist business in making adjustments to their business model.** Most businesses will need to change in order to survive. The organization should develop the capacity to provide counseling to businesses on topics such as:

- a. Visioning and business planning.
- b. Online sales and ordering.
- c. Carry-out and delivery options, along with lockers.
- d. Merchandise / menu changes.
- e. Creating added value to compete for customers.
- f. Mobile POS systems.
- g. State and federal loans and grants.

9. **Planning and urban design.** The project report noted urban planning projects that can have a significant impact on tourist traffic to the city. The potential availability of funding for a commercial development program is an opportunity to move these projects forward, and their recommendations can influence the recovery of businesses in the targeted areas. Two priority initiatives are identified.

- a. **Route 66 and downtown.** The project report called for strategic plans addressing the Route 66 corridor and downtown. These were to include components of a business plan as well as design, to elevate the areas to become “must see” stretches of Historic Route 66, and to generate new visitor traffic.
- b. **Commercial development.** The project report observed that some opportunities were being lost, to preserve Gallup’s distinctive feel,

and to offer an enhanced experience (ex., outdoor dining) in many new commercial developments. Planning can address design guidelines that preserve the city’s character and capture available opportunities to enhance commercial development.

10. **Real estate initiatives.** Commercial real estate is also being impacted by the crisis, and that will continue as businesses close or continue to struggle. As an example, shopping centers had collected 58.6 percent of the rent owed them by tenants for May of 2020, according to Datex Property Solutions. It is to be expected that smaller centers and individual property owners will also see an increase in unpaid rent, and vacated space. While other needs may emerge, the recovery program may consider a “Rent Ready” initiative to partner with building and property owners to quickly bring properties up to a rentable condition, including meeting current codes, and to market them to prospective tenants.

## Available funding programs for small businesses

Several programs are currently available to assist businesses during the crisis. These include the following.

- **Paycheck Protection Program (PPP).** This loan program provides loan forgiveness for

retaining employees by temporarily expanding the traditional SBA 7(a) loan program. Businesses with employees may receive up to \$10 million to assist in making payroll and some other expenses. Qualifying businesses can apply to have the loan forgiven.

- **Economic Injury Disaster Loan (EIDL).** Small businesses may apply for up to \$2 million, with the maximum amount determined by the business’s income. Most of the loan must be repaid with interest. Eligible businesses will be able to receive an EIDL Loan Advance of \$1,000 per employee, up to \$10,000, which is in the form of a grant.
- **SBA Express Bridge Loans.** Small businesses that currently have a relationship with an SBA lender may apply for up to \$25,000 with little paperwork, to quickly access funds.
- **SBA Debt Relief.** The SBA will pay six months of principal, interest, and any associated fees that borrowers owe for all current 7(a), 504, and Microloans in regular servicing status as well as new 7(a), 504, and Microloans disbursed prior to September 27, 2020. This benefit is automatic and does not require the business to apply.
- **New Mexico Economic Development Department COVID-19 Business Loan Guarantee Loan.** NMEDD can offer a loan guarantee up to 80 percent of principal or

a maximum of \$50,000, for loans made through several approved lenders.

- **All Together NM Fund.** This new program established through the New Mexico

Coalition of Community Foundations is intended to help New Mexico respond to, and eventually recover from the COVID-19 pandemic. Its stated purpose include grants “to address income insecurity among

smaller businesses and employees affected by COVID-19 disruptions”. Micro-Business Grants are being distributed through DreamSpring, WESST, and NM Community Capital.

# APPENDIX D: MARKETING SHEETS

The marketing sheets were developed to be used in conjunction with a recruitment campaign as well as to support local efforts at expansion and entrepreneurship. The files are editable and are intended to be used individually or as a set.

White space at the bottom of the cover page can be used to include a title to customize it to the recipient, and to provide contact information.

# GALLUP

## NEW MEXICO

### OPPORTUNITIES FOR RETAIL - DINING - LODGING

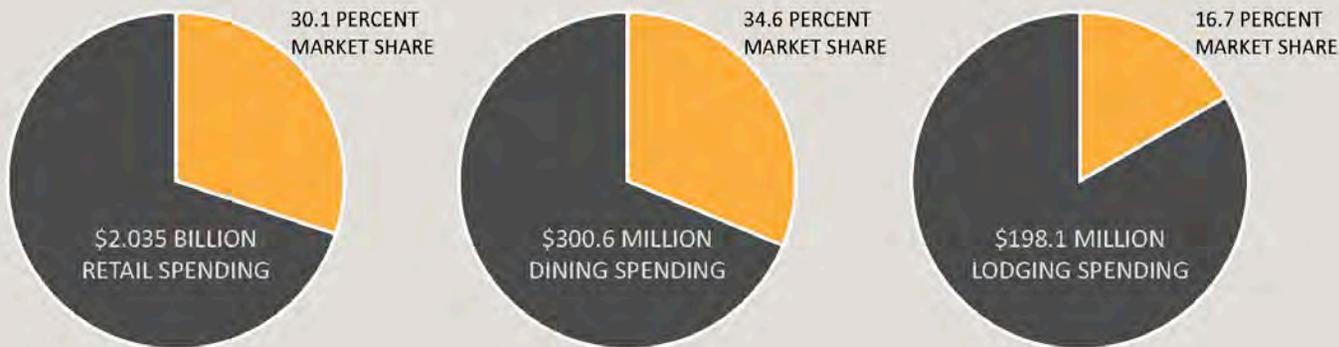


GREATER  
GALLUP  
ECONOMIC DEVELOPMENT CORPORATION  
*moving forward*

# Gallup has a market that is not well defined by the usual approaches...

- The City's trade area is far larger than most.
- Trade area income and purchasing power are greatly underestimated.
- More than six million visitors pass through the city each year.

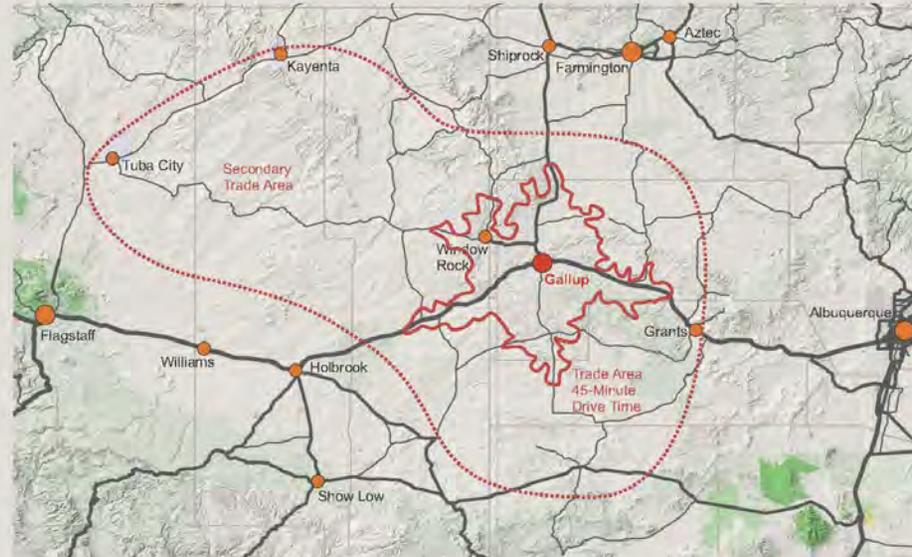
## EXISTING BUSINESSES CAPTURE A FRACTION OF THE MARKET



# Gallup's uniquely large trade area

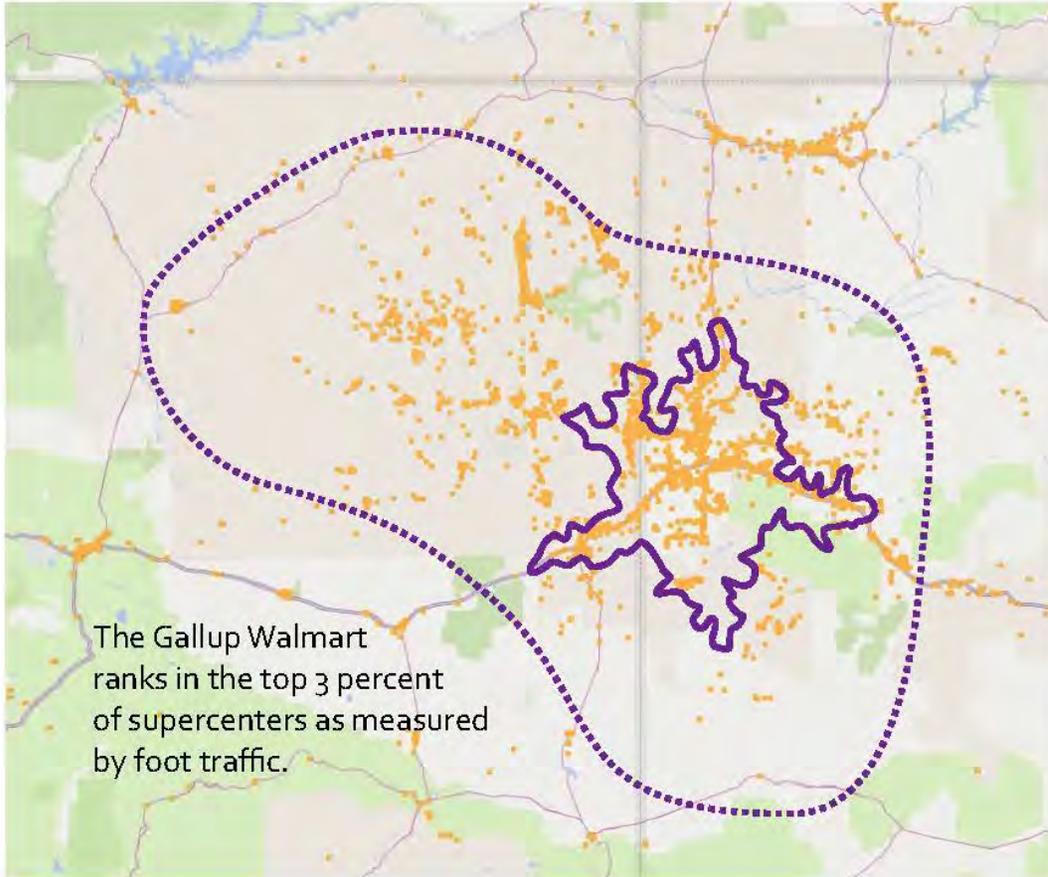
Gallup businesses draw their regular customers from an extensive region, a fact documented by mobile phone tracking and business interviews. The primary trade area was drawn as a 45-minute drive time, while a much larger secondary trade area takes in smaller population centers and reservation lands.

- Gallup is the largest community between Albuquerque (140 miles) and Flagstaff (200 miles).
- Gallup is the cultural and service center for more than 400,000 Native people living in the Four Corners region.



- > Window Rock (25 miles) is the government center for the Navajo Nation, with about 90 percent of the region's Native population. The Zuni Pueblo, the third-largest of New Mexico's reservations, is 40 miles to the south.
- > The Indian Health Services hospital in Gallup is the largest in the region and is among the largest in the IHS system. The existing hospital will soon be replaced with a new \$550 million facility.
- > Gallup is the most important trading center for Native people, with an estimate that as much as 85 percent of the trade in authentic Native American art - pottery, weaving, jewelry, and other goods - passes through Gallup.
- About a third (30%) of Gallup's workforce is commuting over 50 miles to the city, an increase from 20% just 15 years ago.

# Tracking Walmart customers



Mobile phone data was used to determine the origin of Walmart customers and verify the trade area.

The primary trade area captures the population living on highway corridors. Smaller communities and rural areas lie within the secondary trade area.

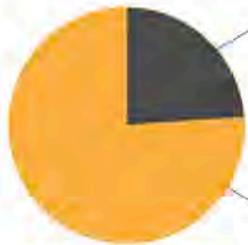
Although Gallup's Walmart draws visits from residents of Farmington and the surrounding area, these communities were not included in the secondary trade area as there is a large concentration of retail serving them.

# Unique market demographics



## POPULATION

Gallup	22,063
Primary Trade Area	65,269
Secondary Trade Area	192,892

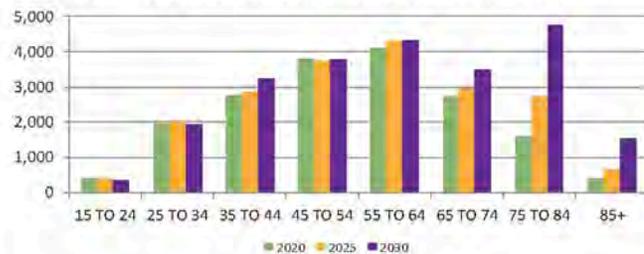


23.8% White - mostly found in the City of Gallup

## TRADE AREA - RACE

74.2% Native American - mostly living outside of Gallup

PROJECTED HOUSEHOLDS BY AGE OF HOUSEHOLDER



## INCOME

Gallup	\$43,598
Primary Trade Area	\$31,515

A large underground economy, along with health care and housing provided through tribal governments, add a great deal of income to increase household spending.

**\$72.94 million** - estimated unreported income from arts, markets, food stands, and other businesses on and off the reservations.

**\$74.68 million** - estimated value of health care services and housing provided to reservation households, increasing their disposable income.



## HOUSEHOLDS

Gallup	6,891
Primary Trade Area	17,726
Secondary Trade Area	53,519

# A growing tourism economy

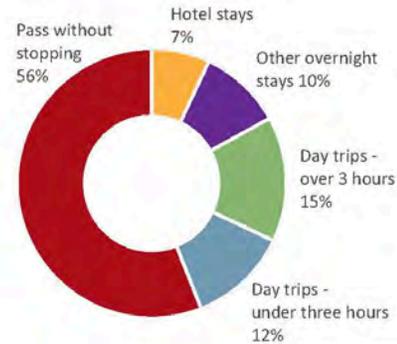


Gallup is an important stopping point along Interstate 40 and a destination in its own right, with numerous historic, cultural, and recreational attractions, and events. Visitors - defined as people living at least 100 miles from Gallup - add more than \$600 million in market potential for the city's businesses.

- Acoma Sky City
- Fire Rock Casino
- Gallup Cultural Center
- Historic Route 66
- Hopi Pueblo
- Hubbell Trading Post
- Navajo Code Talker Exhibit
- Navajo Nation
- Trail of the Ancients
- Zuni Pueblo

- Bisti Badlands
- Canyon de Chelly
- Chaco Canyon
- El Malpais National Monument
- El Morro National Monument
- Gallup ATV/OHV Park
- High Desert Trail System
- Red Rock Park
- Wild Spirit Wolf Sanctuary
- Window Rock
- Zuni Mountains

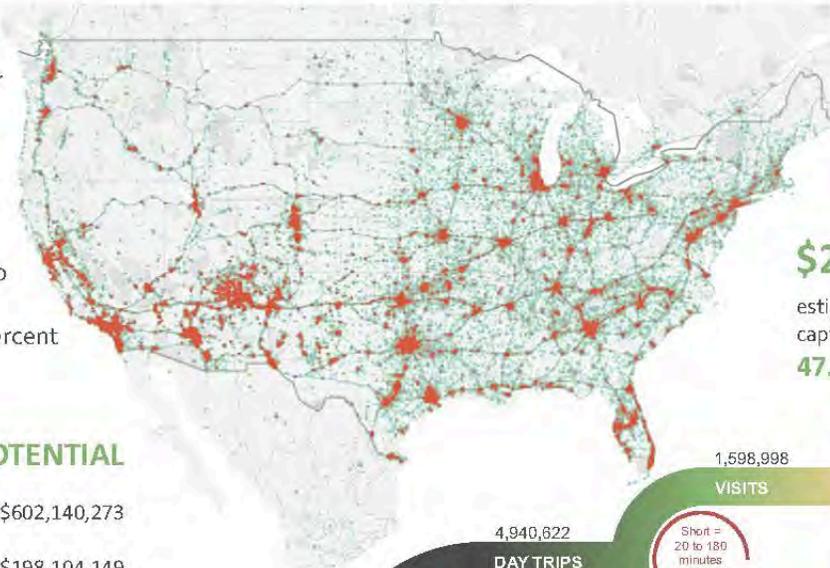
- Arts Crawl
- Best of the Best Rodeo
- Inter-Tribal Indian Ceremonial
- Red Rock Balloon Rally
- Red Rock Invitational Rodeo
- Spitfire Break Away
- WildThing Championship
- Bull Riding



Spending \$156.56 million, visitors more than double the market potential for dining out.

# Untapped visitor potential

Traffic passing through Gallup originates in all parts of the U.S. and other countries. Over 6 million people pass through the city each year, with more than 7 million total visitor days. Visitors spend \$602.14 million, but Gallup businesses only capture \$286.28 million, or 47.5 percent of the potential market.

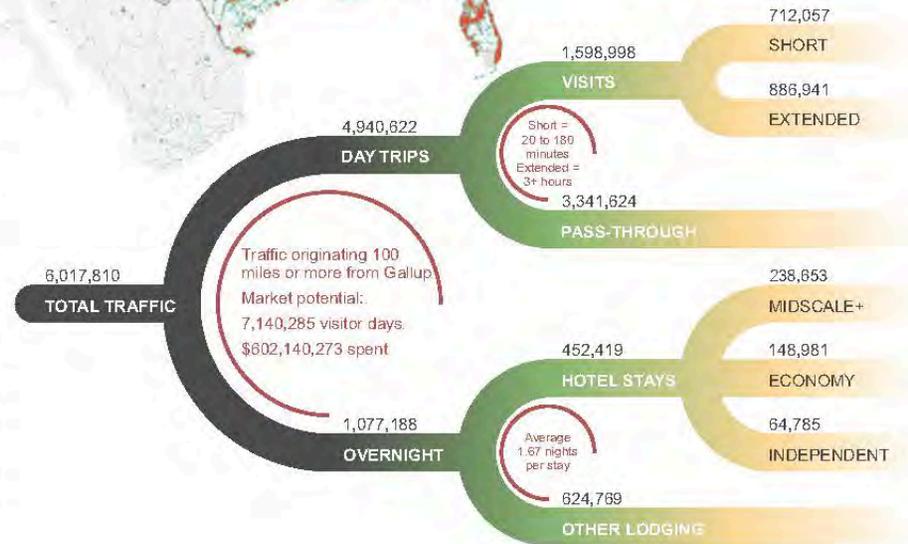


average spent  
**\$84.33**  
per visitor day

**\$286,280,981**  
estimated visitor market  
captured in Gallup -  
**47.5%** market share

## VISITOR MARKET POTENTIAL

Total visitor market	\$602,140,273
Lodging	\$198,104,149
Eating and drinking	\$156,556,471
Food stores	\$31,913,434
Gas	\$56,601,186
All other retail	\$78,278,235
Motor vehicle/parts	\$7,398,794
Furniture/electronics	\$8,020,005
Building materials/garden	\$10,042,460
Health/personal care	\$9,866,080
Clothing/accessories	\$4,335,204
Sporting goods/hobbies	\$4,153,107
Department stores	\$26,972,946
Miscellaneous stores	\$7,489,638



# Opportunity in the lodging sector



Gallups' strong visitor traffic and highway location support strong demand for overnight stays. The number of room nights captured in the city has grown as new hotels opened, improving the selection and quality of rooms available to visitors.

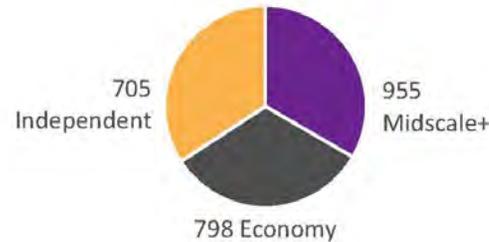
Along with the city's hotels, 22 actively listed short-term rentals (AirBNB or VRBO) have a 62 percent occupancy rate at an average of \$71 per night.

## OCCUPANCY



**19%** growth in demand over five years

## 39 HOTELS 2,458 ROOMS



**\$76.25** ADR - All Gallup hotels  
**\$87.63** ADR - Gallup midscale+ hotels



- Hilton Garden Inn (2014)
- Best Western Plus Inn & Suites (2015)
- Comfort Inn (1999)
- Comfort Suites (2009)
- Fairfield Inn & Suites (2015)
- Hampton Inn (2005)
- Hampton Inn West (2005)
- Holiday Inn Express & Suites (2012)
- La Quinta Inn & Suites (2005)
- Springhill Suites (2016)
- TownePlace Suites (2017)
- Quality Inn & Suites (1996)
- Sleep Inn (1995)
- America's Best Value Inn (2005)
- Days Inn East (1975)
- Days Inn & Suites Red Rock (1990)
- Econo Lodge (1988)
- Howard Johnson (1966)
- Knights Inn East (1965)
- Knights Inn West (1993)
- Microtel Inn & Suites (1997)
- Motel 6 (1975)
- Red Roof Inn (1988)
- Super 8 (1988)
- Travelodge (1997)

# Available sites and buildings

