Using Franchises to Revitalize an Urban Corridor, Improve Neighborhood Access to Retail and Services, And Promote Sustainable Local Economic Development

NINE FRANCHISES FOR THE HOLLOWELL PARKWAY CORRIDOR
Atlanta, Georgia

Executive Summary

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Dr. Nancey Green Leigh*, Melanie Dieg, E. Alexander Gothard, Mishele Ijaz, Kevin Mara, Chao Meng, Lauren Roberts, Mark A. Sloan, Ben Wallach, Minye Wang

Georgia Institute of Technology

December 2016

* Associate Dean for Research, College of Design; Professor; School of City and Regional Planning

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CP 6412

Using Franchises to Revitalize an Urban Corridor, Improve Neighborhood Access to Retail and Services, and Promote Sustainable Local Economic Development in the Hollowell Parkway Corridor

Dr. Nancey Green Leigh

Students: Melanie Dieg, E. Alexander Gothard, Mishele Ijaz, Kevin Mara, Chao Meng, Lauren Roberts, Mark Sloan, Ben Wallach, Minye Wang

EXECUTIVE SUMMARY

This literature review and case study considers franchising as a *tipping point* strategy for local economic development for disadvantaged communities located along the Hollowell Parkway on Atlanta's west side. These communities have failed to participate in the economic prosperity currently being experienced in the greater Atlanta area. This research project conducted a background analysis and literature review of the franchise industry, identifying the arguments that support a franchise strategy, as well as some arguments against. Several public and private economic development tools have been identified, which can enable local, eager, but inexperienced entrepreneurs to engage in business within their local communities, using a structured, tested, and proven business methodology. Implementing a franchise strategy could provide the spark needed to ignite an economic revitalization that would enable residents to use their underappreciated available buying power within, rather than outside of the community.

Hollowell Parkway is a disinvested urban corridor in the northwestern quadrant of the City of Atlanta. It suffers from a number of significant obstacles to redevelopment, including a perception of high crime and lack of safety, vacant and dilapidated properties, and high-speed traffic through the adjoining neighborhoods via Hollowell Parkway. However, this last challenge may also present an opportunity for the corridor to spur new commercial development (Sizemore Group, 2010). More than 16,000 vehicles pass through the corridor every day (Market Planning Solutions Inc., 2015), representing a critical mass of potential customers for businesses along the corridor. Enterprises able to capture this potential source of revenue could create a multiplier effect by employing local residents and recirculating income within the nearby neighborhoods.

Up to this point, few businesses have been willing to locate in the area. Shabby-looking mom-and-pop stores predominate the corridor, and attracting new business is an important component of an economic development strategy for the corridor. Encouraging the establishment of franchise businesses along Hollowell Parkway may be one way to bring investment to the area. Franchises present recognizable brands that signal quality to potential customers, and provide proven business systems that can help fledgling entrepreneurs succeed. At the same time, franchises' local ownership structure can enable greater flexibility in siting the business and create stronger spillover benefits for their neighborhoods.

A series of nine case studies were conducted to identify local retail and service gaps, and then establish criteria to fill those gaps. This led to the identification of franchises that could provide essential goods and services to the community. Selected franchises addressed various gaps, including an analysis that determined this area was a "food desert" in need of a supermarket to provide healthier and fresher options than currently available. In addition, analyses determined this area could benefit from other provisions of goods and services, such as gently-used furnishings and building materials, entrepreneur mentorship and training, healthy casual food, business support services, laundromat support, optical health care, and other key goods and services. In proposing a franchise for this area, the unique characteristics of the parkway have been analyzed, including but not restricted to traffic counts, ease of access, existing vehicular and pedestrian infrastructure, and the emerging potential of the parkway as a site for economic development.

A site was chosen along Hollowell Parkway, near a major intersection and concentration of population that would serve as a center of gravity for further economic development. The size of the site enables a franchise clustering strategy and synergistic support among multiple new franchises during their sensitive early development period. This plan will improve the potential for gaining a sustainable foothold within the community, and stimulate economic development by supporting the retention of lost buying power, providing new jobs, and encouraging nearby local entrepreneurship.

PART I - BACKGROUND ANALYSIS & LITERATURE REVIEW

INTRODUCTION

America's inner-city communities are in a desperate search for their *tipping point*. The fundamental structural and societal changes that would bring them some semblance of sustainable economic relief often seem far away. Adapting a term for "tipping" phenomena first identified by Morton Grodzins and Nobel Laureate Thomas Schelling (1971), Malcolm Gladwell (2000) expanded its use to describe small but seminal events that led to significant changes in greater society and the world

An optimum outcome for distressed inner-city neighborhoods is a revitalization of the physical living environment, with a vibrant and growing population, well-educated, fully employed, perpetually self-supporting as economic participants in the greater society, fully contributing to synergistic relationships with regional neighbors, and making the greater area stronger…socially, economically, and aesthetically…for the long-term. Considering that each disadvantaged community bears unique burdens that demand unique considerations, it would be prudent to actively seek a *tipping point* that can provide a community its small catalyst that makes a big difference.

While the franchising industry is unlikely to be the big solution that will solve all of a community's ills, it might prove to be some communities' small catalyst. This research project investigates the potential of the franchise model for both the franchisor and the franchisee, in particular within an area that lacks the conventional incentives to attract new businesses. It examines the process by which a franchise is set up, and what this process means for a sustainable economic development model. The examination will help to determine the franchise industry's mechanisms that could make a franchise strategy a compelling consideration for a potential *tipping point.*

SMALL BUSINESS ENTREPRENEURSHIP IN PLACE-BASED REVITALIZATION

Places develop their local economies through a mix of supply-side and demand-side approaches. On the supply side, growth is a result of combining quality inputs, including labor, goods and resources, capital, and government services. Supply-side economic development strategies seek to increase and improve available economic inputs through "educating and training the labor force, creating university-industry linkages, and removing the barriers to occupational mobility" (Acs and Kallas, 2007). Demand-side approaches see growth as a result of external demand for a region's products and services: where demand exists, perfectly elastic supply follows. Demand-side development strategies may include promotional activities like trade missions, export assistance, and marketing campaigns. These approaches complement rather than conflict with one another, and both seek to increase a region's export activity. A local economy will grow when basic industries export goods and services and the resulting income is brought into the region, increasing demand for non-basic activities (Acs and Kallas, 2007). However, both approaches presume that markets function smoothly and efficiently, and ignore uneven levels of development across smaller geographies within a regional economy. Economic developers focused on improving individual communities, particularly low-income areas, must also consider more place-based strategies that help to overcome historic disinvestment and neglect.

While traditional economic development does not differentiate according to the source of an investment, place-based strategies prioritize local ownership and target actors that have long-term ties to a community and an interest in its success. Private small businesses and entrepreneurs are essential to local economic growth, and are important generators of new jobs. Moreover, the presence of locally owned small firms is positively linked with per capita income growth, while the presence of medium and large firms appears to have the opposite effect, especially when they are not locally owned (Fleming and Goetz, 2011). Preconditions for self-employment identified by Goetz and Rupasingha show path dependency, as the presence of self-employed workers leads to more robust growth in the number of entrepreneurs over time (Goetz and Rupasingha, 2014).

Locally owned small businesses are important community assets. These enterprises not only create jobs, but also build business equity and intergenerational wealth for successful business owners, maintain local control of neighborhood land, and provide positive externalities like leadership development, financial literacy, and channels for civic engagement (Nembhard, 2014). A robust small business ecosystem may make neighborhoods more stable over the course of the business cycle, as small employers lay off fewer workers relative to large employers both during and right after economic recessions (Moscarini & Postel-Vinay, 2012). As a result, policies that lower barriers to entrepreneurship in low-income areas may have outsize effects over time.

Studies suggest that limited access to capital disproportionally prevents minority entrepreneurs from starting businesses and contributing more fully to local economic development. The primary sources of funds for most people purchasing a franchise are home equity, personal savings, and the savings of friends and family (Wallace, 2002). Personal networks often prove to be a very thin resource for aspiring minority business owners; in 2013, on average, Hispanic families had saved $12,329 and African American families had saved $19,049, compared to an average white family savings of $130,472 (Urban Institute, 2015). Other drags on entrepreneurial activity include a less-than-robust social safety net – especially since workers who start their own businesses may become ineligible for unemployment compensation – and a health-care system where insurance is typically provided through one's employer (Goetz and Rupasingha, 2014). When low-income individuals start businesses without the requisite skills, education, financial capital, and social contacts, they frequently fail (Acs and Kallas, 2007). Taken together, this background leads us to seek a potential economic development approach that could help address many of these considerations: a franchise strategy.

THE FRANCHISE INDUSTRY

Many of the most recognizable brands in the world are franchises, including McDonalds, Holiday Inn, and H&R Block. Put simply, franchising is a commercial relationship in which one party (the franchisor) allows another (the franchisee) to operate their own business using a proprietary product or system in exchange for initial and ongoing fees.

The International Franchise Association defines *franchising* as, "A method of business expansion characterized by a trademark license, payment of fees, and significant assistance and/or control," and it defines a *franchise* as, "A license that describes the relationship between the franchisor and franchisee including use of trademarks, fees, support and control" (IFA, Franchising 101). It is sometimes called a "paint-by-the numbers" business system (Wallace, 2007), and it is often considered a business method of choice by inexperienced entrepreneurs, who state that a franchise's standardized training was the reason they decided to buy one in the first place (Emerson and Benoliel, 2012).

Practically speaking, for a disadvantaged community a franchise provides an inexperienced person or enterprise, interested in owning and operating their own business, a structured and guided process to enable ownership with potentially lower risk. Support mechanisms and time-tested methods improve the possibility for creating and maintaining positive cash flows over an extended period of time. This arrangement provides an opportunity for income, profit, and participation by less experienced members of a community, who have the desire, but not necessarily the know-how, to become an entrepreneur. This opportunity can support a locally-sustainable economic environment, providing needed goods and services that might otherwise be unavailable or inconvenient for those with limited resources to access them elsewhere.

The mechanics for a franchise arrangement include three very basic components (Hunt, 1972):

1. "A contract between a franchisor and franchisee, which identifies the responsibilities and roles for each party
2. A relationship of cooperation between the franchisor and franchisee that lasts for the life of the business as operated by a franchisee

3. A franchise business location operated “substantially under the trade name and marketing plan of the franchisor” (Hunt, 1972)

The franchise idea as it is known today was developed in the United States (Dant, 2008), and although it has become a worldwide business model, the focus here is on its American bloodlines. Compiling information from Franchise Facts and the International Franchise Association from 2011, Dant (et al., 2013) counts over 3,000 franchise networks operating over 900,000 locations in over 300 types of businesses. Franchised businesses employ over 18 million people, paying them almost $900 billion per year (PricewaterhouseCooper, 2011). These employees produce over $2 trillion in economic output, comprising 10% of the United States’ total private sector (Dant, et al., 2013). The U.S. Department of Commerce states that in the recent past, over 40% of retail sales were conducted through franchises (Wallace, 2006).

The most basic franchise arrangement is between a single franchisor and a single entrepreneur (the franchisee) operating at a single location. However, it is quite common for franchisees to operate more than one location, thereby striving to achieve an economy of scale that increases cash flows while operating more efficiently. “Multi-Unit Franchisees” operate about half of all franchised outlets and up to 84% of units in some of the large national fast-food chains (Dant et al., 2013). For the most commonly known franchise, McDonald’s, the typical franchisee owns three restaurants (Lafontaine, 2014).

Multi-unit franchisees build business knowledge as experience is gained. As they grow, they increase self-sufficiency and can share resources amongst units to generate larger cash flows. They can build a stronger record of debt servicing, which can help future financing because of a proven track record, and they can “partner up with new, smaller or financially-strapped franchisees” (Chalupnik, 2009), to achieve even greater economies of scale for logistics, and other scalable aspects, that a single franchisee could not achieve alone.

The U.S. Small Business Administration estimates that in the first year of business, approximately half of all new businesses fail, and only one in five make it beyond their fifth year. This is mostly due to two key issues: 1) lack of business skills, and 2) lack of adequate capital (Anderson, Condon, and Dunkelberg, 1992). A franchisee can address the first issue, lack of business skills, through support from the franchisor, training and specific franchise manuals, and adoption of proven operating techniques. (Anderson, et al., 1992). Further assistance can come from a local Community Development Corporation (CDC), and other agencies, which will be further discussed. A well-known brand name also facilitates success.

The second issue, lack of adequate necessary capital, can be remedied through a surprisingly wide array of means, that will provide the opportunity for a franchisee to succeed in an inner-city or otherwise disadvantaged community.

Franchising as a business model can combine the benefits of local ownership and entrepreneurship with the stability, expertise, and market reach of established corporations. A recognizable and protected brand is a prerequisite for franchising. The franchisor's trademark "is a distinctive marking that creates value for the franchisee by efficiently and effectively certifying the source and level of quality of the goods or services being sold" (*Fundamentals of Franchising*, 2009). Franchises can also benefit from lower costs due to bulk purchasing programs, as well as economies of scale in production and new product innovation. In turn, the franchisor can harness a local entrepreneur's ambition and market knowledge while minimizing their own risk. In an ideal case, the interests of the franchisor and franchisee are aligned and cooperation increases value for both parties (Blair and Lafontaine, 2010).

Franchise relationships are generally divided into two categories: "traditional" (also known as "product and trade name") franchising and "business format" franchising. Traditional franchising is typified by dealerships, which focus on one company's product line and, "to some extent, identify their business with that company." Traditional franchisors are manufacturers that sell finished or semi-finished products to their franchisees, which in turn resell these products to consumers or other businesses. Traditional franchisors may enforce sales standards and require financial reporting from their dealers, but do not charge running royalties. In contrast, business-format franchises comprise an entire business system and are subject to more rigorous standards of control by the franchisor. Business-format franchisees pay a lump sum to purchase the system, as well as a percentage of sales revenue (Blair and Lafontaine, 2010).

Finally, a franchise requires several components to create a firm foundation for establishment and growth. In his 2011 book, "*Franchising and Licensing: Two Powerful Ways to Grow Your Business in Any Economy*," A.J. Sherman identified the following components to create a secure foundation for a successful franchise (Figure 1):

Figure 1: Sherman's Component's for a Successful Franchise

Component	Description
A proven prototype location	A location or businesses that have undergone testing to ensure success for the incoming franchise
A strong management team	Individuals who hold relevant experience, as well as understand all facets of the industry
Sufficient capitalization	Funds to maintain the program, as well as enough money to be able to provide initial and on-going support to the franchisee
Distinctive and protected trade identity	Representation and image of the franchise.
Propriety and proven methods of operation and management	Framework that is distinct to the franchise in question, and acts as a guide for all parties involved
Comprehensive training programs for franchisees	Continuous comprehensive sessions that educate the franchisees about the business.
Field support staff	Persons available to assist the franchisees and overlook secondary operations
Set of comprehensive legal documents	Binding documents that detail the relationship and workings of the franchisor-franchisee model
Demonstrated market demand	Understanding the franchises role in the market and maintaining the established minimum standards across all franchises.
Carefully developed uniform site selection criteria and architectural standards	Standards that make the process of selection and site procurement efficient and affordable
A genuine understanding of the competition	Being aware of the products available and their impact on the franchises.
Relationships with involved parties	Understanding and balancing the liaison with the resources present to the franchise in the form other entities
Franchisee profile and screening system	Selection criteria for appointing a franchisee who possesses skills specific to the franchisors business
Effective system of reporting and record keeping	Paperwork to document the monetary exchanges between parties
Research and development capabilities	To expand the consumer bracket of the franchise
Communication system	To ensure minimal misunderstanding between the franchisor and the franchisee throughout the term of their partnership
National, regional and local advertising, marketing and public relations programs	Project the franchise's image to the market with the aim of attracting prospective franchisees and/or consumers

Figure 1. The components that make up a franchise's foundation (Sherman, 2011).

ARGUMENTS FOR THE USE OF A FRANCHISE STRATEGY IN LOCAL ECONOMIC DEVELOPMENT

The rise of the franchise model as a strategy for local economic development began as the shortcomings of traditional business models became apparent (Fitzgerald and Leigh, 2002). In his study on the Great Recession, Joseph Schumpeter inferred that an economy's inclination towards a franchise strategy helps it endure an economic downturn (Chaston and Scott, 2012). The addition of one franchise to an area can serve to attract other businesses that may benefit from locating near it. With a cluster of local franchises, the residents stand to gain more employment and training opportunities, which can further enhance the attractiveness of an area for more business development. This can be considered a virtuous cycle of retail that enables such a model to flourish (Fitzgerald and Leigh, 2002).

Branded retailers are underrepresented in economically depressed urban areas, but it appears this trend is beginning to change. Service providers, retailers, and restaurants are discovering the advantages of locating in these neighborhoods, whose profit potential now can be recognized in the different nomenclature used to describe them: where "inner cities" were before, now there are "emerging domestic markets."

Relative population density and lack of competition can also make these markets attractive. Even in areas where per-capita income is lower than average, per-capita spending on products or services may actually be greater than in stores located in higher-income suburbs. Moreover, a lack of branded companies often means that the goods and services currently available in the neighborhood are, or perceived to be, of lower quality. Early adopters in emerging markets can take advantage of pent-up demand and little competition – the relative population density often means that the buying power of the people in low-income neighborhoods exceeds the amount retail locally available to them (Seid, 2001). The benefits of tapping into neglected urban markets are non-trivial. For example, African-American purchasing power alone has increased from $320 billion in 1990, to $1.2 trillion nationwide in 2015 (Humphreys, 2016).

Installing a franchise unit provides an immediately recognized brand name, and an ability to address pent-up demand, with potentially little or no competition. The franchise system provides someone, who has little background for addressing the many aspects of starting a new business, with the tools to climb the steep learning curve much faster (Hidalgo, 2012).

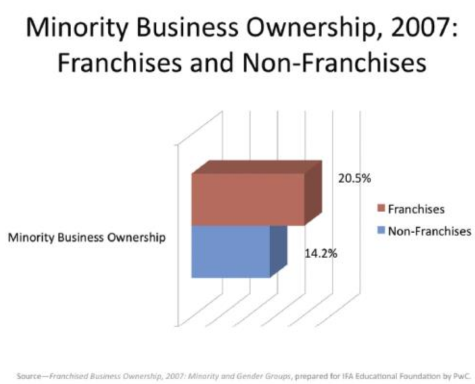
A franchised business also potentially has more straightforward access to franchisor assistance to obtain credit in neigbhorhoods where otherwise it may be lacking…in fact, a franchisor may have already put a bank loan mechanism into place (Hidalgo, 2012). In addition, a franchisor may employ more creative arrangements to enable interested but lower-income aspiring entrepreneurs to obtain franchise ownership in disadvantaged communities. In 2006, Little Caesar's Pizza instituted a "Manage to Own" program that supports otherwise qualified individuals, who have the drive but lack the finances, to invest in a franchise. Applicants go through a selection and training process, and make a $5,000 deposit to participate in the program. The total cost to the entrepreneur is $10,000, which is financed by Little Caesar's. This amount is half the normal franchise fee and does not require the individual to front the initial investment, which the franchisor estimates is a minimum of $314,000 (Little Caesar's Pizza, 2016). Participants receive a salary, a share of profits, and an opportunity to gain ownership in the restaurant over time (McCulloch, 2006). Similarly, Blimpie's Subs has designed a program that waives its $18,000 franchise fee for any qualified individual who opens a location on a designated Empowerment Zone or Enterprise Community (Bennett, 2003).

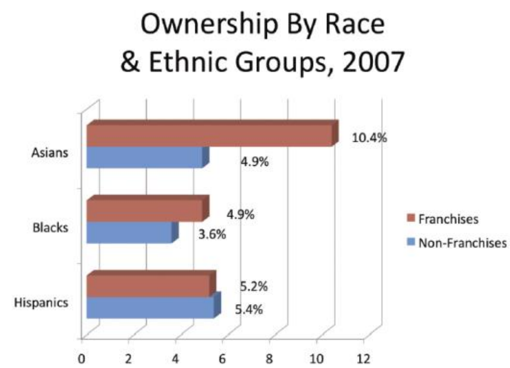
A franchise strategy also provides the opportunity to execute new construction and create a fresh look in rundown areas. The new development presents an appearance of stability and investment, where none may have occurred for many years (Wallace, 2002). For the community, the new franchise provides an opportunity for new jobs, an addition to the local tax base, and stimulus to the neighborhood economy (Wallace, 2002). It could also could encourage others to join in, thereby creating additional synergies and hope. This newfound hope could lead the community to propose a cluster strategy to create a collection of similar businesses in a supportive new center within the neighborhood, such as a new restaurant district. This could then be leveraged to play a role in a city's bigger whole.

As previously noted, disadvantaged neighborhoods can possess significant buying power, however, much of that buying power is spent in areas outside the local neighborhood. Franchising provides an opportunity to capture more buying power within the local community where it is needed most.

Indeed, a 2011 study estimated that the disadvantaged neighborhoods with large minority populations and numbers of minority-owned businesses combined produce six million jobs, and an annual output of $1 trillion (PriceWaterhouseCooper, 2011). Far from hopeless, a franchise strategy can leverage this pre-existing strength to increase the likelihood of success in challenging local economic environments. In Michael Porter's discussion of business strategy for the inner city, he challenges the myth that most skilled minorities will seek to work or create businesses in more affluent locations. These skilled entrepreneurs know their communities best. With their skills, established networks, and greater neighborhood knowledge, they can apply their skills to in the places that need them most (Porter, 1997), providing further support for a successful local franchise strategy.

Porter discusses the role of financing by banks, which were initially driven by the Community Reinvestment Act, and which have now discovered some success in their inner-city lending for both business and home. These banks are now being driven more by self-interest, realizing that profits can be made (Porter, 1997).





Figures 2, 3 (PriceWaterhouseCooper, 2011).

A further hint of success in using a franchise strategy is revealed in the demographics of franchisee ownership. A report by PriceWaterhouseCooper for the International Franchise Association's (IFA) Diversity Institute revealed that in 2007, minorities owned 20.5% of franchised businesses, compare to only 14.2% of non-franchised businesses. This statistic indicates that the franchise strategy is providing an avenue of ownership to a demographic that in some areas may have trouble breaking into the business ownership game (PriceWaterhouseCooper, 2011). Ron Harrison, a past chairman of the IFA, who also served as founding chairman of its Diversity Institute, states, "embracing diversity is a business growth strategy" (PriceWaterhouseCooper, 2011). These arguments are clear. A franchise strategy for local economic development has support, especially in the areas that need it the most.

Despite many challenges, the advantages achieved by utilizing a franchising strategy for local economic development, especially in the most challenging neighborhoods, are quite appealing and can lay a foundation that can be leveraged to bring a future wave of independent businesses, and an increased prospect for a neighborhood's revitalization.

ARGUMENTS AGAINST THE USE OF A FRANCHISE STRATEGY IN LOCAL ECONOMIC DEVELOPMENT

While there are many arguments that support the use of a franchise strategy in local economic development, there are also some arguments against it that should be considered. Start-up costs for business-format franchises can be considerable, and franchise fees comprise only a small portion of total cost. Franchise fees for the most prevalent fast food restaurants fall in the range of $15,000 to $50,000, while initial investments in the business can exceed $1 million. Franchisor-imposed qualifications to purchase a franchise can be even more onerous for small-business owners. To open a McDonald's or Taco Bell restaurant, an entrepreneur must have at least $750,000 in liquid assets. To open a KFC, the business owner's net worth must be at least $1.5 million (Peterson, 2014). Large franchisor companies can assist minority franchisees in obtaining easier or more affordable loans through their own financing programs or their established relationships with commercial banks (Goodman, 2013), but this does little to address barriers to ownership for low-asset individuals.

Banks and other lending institutions have traditionally been reluctant to back franchise projects in low-income and minority neighborhoods (Barrionuevo, 1993). Studies of lending in Detroit and Chicago confirm that financing remains a challenge. While small business lending declined nationally following the 2008 recession, census tracts in the Chicago region with lower income levels and higher percentages of minority residents experienced even more drastic declines and reduced lending through the recovery (Cowan, 2014). Likewise, predominantly black neighborhoods in Detroit lag in U.S. Small Business Administration (SBA) lending compared to otherwise similar non-black neighborhoods (Toussant-Comeau and Newberger, 2014). A national study by the Federal Reserve Bank of San Francisco further corroborates the importance of income and race in obtaining business financing: both before and during the recession, the number of small business loans in a census tract positively correlated with presence in the central city, but negatively correlated with larger minority populations and lower-incomes (Laderman and Reid, 2010).

Another challenge for a franchise strategy is that many franchises sell their products at a relatively higher price than what the area is accustomed to paying, or can afford. Although franchisors consider market value, if their products, services, or prices seem too alien or unaffordable for local consumers, they may be reluctant to support a franchise in the community.

Despite being an advocate for business strategies in disadvantaged communities, which supports a franchise strategy, Porter also acknowledges disadvantages that can cause an inner-city strategy, and by extension, a franchise strategy to fail. A franchise strategy in a challenging local economic environment could fall victim to a high crime rate, a poor local education system, and insufficient training and experience in the local workforce (Porter, 1997).

Porter notes that some employers have been disappointed with graduates from local community training programs. Without properly addressing social training of human capital in distressed areas, a franchise strategy may have a hard time becoming sustainable over the long run. Comments from inner-city employers illustrate the importance of addressing this threat to the strategy upfront: "…of the inner-city residents we try to hire for semi-skilled welding jobs, more than half flunk a drug test, and few make it through the internship period (Porter, 1997). "The vast majority [of the inner-city workers I hired] lacked basic attitudes rather than skills" (Porter, 1997). Attempting to address these issues with more support funding may not work. Porter writes,

> *"…attempting to offset disadvantages with operating subsidies to businesses is futile. A more effective approach is to address the impediments to doing business directly…"* (Porter, 1997, 18),

which for the inner city means,

> *"(its) disadvantages as a business location must be seen as an economic problem and addressed as part of an economic strategy. Too often, addressing weaknesses…is approached with only the social welfare of the residents, not the needs of business, in mind"* (Porter, 1997, 18).

Without addressing business needs in addition to individual social needs, a franchise strategy as part of local economic development may fail.

The inexperience of franchisees can also negatively impact a franchise-based strategy, as they may have trouble realizing the importance of reading contracts with franchisors before signing them. Their inexperience may lead franchisees to ignore important contractual text, and miss out on the ability to compare other franchisors' opportunities, perhaps locking in business arrangements that are less than optimal for that entrepreneurs' particular situation (Emerson and Benoliel, 2012). An analysis by Emerson and Benoliel (2012) indicates that most franchisees are "likely to be lacking prior business experience." They therefore highlight the importance of government regulation to protect this implied majority that do not read contracts before signing them. They also question whether many prospective franchisees make "well-informed" choices, or consult with a franchise attorney. This can have undesirable results for a franchise strategy (Emerson and Benoliel, 2012). Multiple federal bills addressing the franchisor-franchisee relationship have been introduced to provide a mitigation, but none of them has successfully passed (Emerson and Benoliel, 2012).

Historical research found that franchise agreement language was written to favor franchisors, enabling them to "unilaterally" modify contracts with franchisees, providing opportunities for termination, and also introducing prohibitions that could limit a franchisee from future business practices or to operate in specified geographic locations (Hunt, 1972). More recently, Emerson & Benoliel (2012) raised the concern that potential franchisees do not adequately read and consider all agreement language before disclosure documents are signed.

Subsequently, a "patchwork of federal and state franchise disclosure laws" have been developed that are enforced by states and the Federal Trade Commission (Buckberg and Suwanski, 2008). The Federal Trade Commission's (FTC) Franchise Rule (amended) (based on 16 CFR Parts 436 and 437, 2007), mandates the provision of "material information" from the franchisor to the prospective franchisee, "to weigh the risks and benefits of such an investment" (FTC, n.d.). The amended rule directs the provision of a disclosure document that includes information on 23 specific items, including identification of the franchisor and any "parents, predecessors, and affiliates," business experience, litigation, fees, and franchisee obligations (FTC, 2007). If the FTC believes a violation of disclosure has occurred, they may call for a "civil investigative demand," which could lead to penalties such as a refund of franchise fees, fines, court actions, and prohibitions (FTC, n.d.).

Another argument against a franchising strategy involves the level of discipline required from the franchisee to make a franchise work. Sometimes, franchisees challenge strict franchisor operating instructions or agreements in one or more areas, such as modifying products, creating non-standard hours, or changing other operating directions. This can violate a franchise agreement, and put the franchisee in jeopardy of losing their franchise (IFA, Franchising 101).

Although many franchisees do succeed, many fail for a variety of other reasons. There can be mismatch between the franchisor and franchisee; the franchisee also may not be suited for managing a particular type of product or service. The franchisee may lack skills to hire effective employees, the location may be too isolated, with not enough traffic or accessibility by car or foot. Customer service may be poor. There may be too-high a turnover rate. These reasons could limit the extent to which the franchise establishes roots in the community early in its business cycle ("How to Succeed as a Franchisee," 2008).

CAN A FRANCHISE DEVELOPMENT STRATEGY SUPPORT SUSTAINABLE LED OUTCOMES?

There are multiple aspects of a franchise development strategy that should be considered to support sustainable outcomes for local economic development in disadvantaged communities. The first aspect to consider is that this strategy is being employed in areas that still possess considerable buying power. Using 2003 quoted numbers, eight million households in inner-city markets held $85 billion in annual buying power, or 7% of total national annual retail spending (Baldwin, 2003). It was estimated that 25% of inner-city demand was not being met, driving residents to businesses outside the local community to spend the money they had (Baldwin, 2003). Based upon Baldwin's researched numbers for 2003 alone, a franchise development strategy could be used to address a considerable portion of a calculated $28 billion in unmet retail consumption. Extending for inflation, this number could be in the $40 billion range today.

In another article, Nelson (2001) identifies a 1999 HUD estimate for a "$350 billion purchasing gap" between inner-city and suburban shopping for food and apparel items. Nelson indicated this gap showed that many inner-city customers were shopping outside their neighborhoods, in lieu of buying within (Nelson, 2001). The suburbs quite often offer a wider and more attractive array of choices, often missing in inner-city neighborhoods. A franchise strategy can seek to fill this gap, and retain more of the income spent by local citizens. Altogether, these figures should be considered for any attraction model or recruitment strategy to allay the myth there is no money to be made in inner-city or disadvantaged neighborhoods.

A second aspect for a sustainable franchise strategy outcome is to adopt the same basis used for everywhere else, "…through private, for-profit initiatives, and investments based on economic self-interest and genuine competitive advantage instead of artificial inducements, government mandates, or charity" (Porter, 1997, 12). Instead of public efforts focused on "meeting residents' immediate needs," the focus should be on addressing the root of the economic problem, which is the creation of new jobs, and leveraging every economic opportunity that would solve immediate problems long-term. He identifies this as "the real opportunity….to create income and wealth, by harnessing the power of market forces, rather than trying to defy them" (Porter, 1997, 11).

A third aspect for a franchise strategy that can help make local outcomes sustainable is found in Porter's proposal to develop new clusters of related businesses within an inner-city neighborhood, that can leverage geographic proximity to nearby existing regional clusters (Porter, 1997). The franchise model does drive the need to think about how this could be done, as many cluster types are often related to manufacturing or other commercial sectors that may not provide many franchising opportunities. An exception that quickly comes to mind is the possibility of a franchise-based "restaurant alley" or "food corridor," where various types of food can be accessed by the community in one central area, providing a variety of choices for consumers, and a concentrated delivery area for suppliers of raw materials such as fresh produce or other raw food items. The businesses benefit from a greater concentration of customers in the area, which provides increased familiarity with the customer base, who hopefully return on a regular basis to use all of the choices available.

Yet another aspect of a sustainable outcome from a franchise strategy can be achieved when the franchises are birthed from within the community. This can result in "a higher percentage of growth and lower percentage of crime" (Baldwin, 2003). This can provide the franchisee a "safety net," because the local community adopts the business as a community asset, since the owner is one of their own (Baldwin, 2003).

NEW BUSINESSES IN AN UNDERSERVED AREA

A franchise strategy provides an excellent opportunity to create new businesses in an underserved area, finding those niches that are not adequately served by current businesses. Once those niches are filled, there is an opportunity to contribute to a sustainable outcome for local economic development.

Underserved urban areas offer several advantages for small business owners. Inner cities are frequently underdeveloped, and locations often can be found at a lower cost than more affluent areas. Inner cities are also often located near highways and other well-developed transportation networks. Many companies – particularly those that provide a remote service or that travel to their customers – are finding that they can service a variety of markets from central locations in inner cities. Inner-city neighborhoods often suffer from a jobs-housing imbalance, causing employees to travel out of the neighborhood to work. Therefore, new business owners will likely find a strong pool of labor competing for local jobs that do not cause outsized burdensome commutes. New businesses in inner cities may also be able to tap into local agencies and programs that can provide guidance to seek tax advantages, grants, or training programs designated to assist them (Seid, 2001).

The Urban Entrepreneur Partnership (UEP) is one such agency which targets growing entrepreneurs in underserved neighborhoods. It operates in multiple cities, including Detroit, Kansas City, and New Orleans (Descant, 2011). The UEP works with various other organizations, such as the International Franchise Association, private equity investors, and venture capital firms, such as Allied Capital (Schmid, 2006). UEP uses a business for-profit model approach. "This is about creating a business environment where businesses can survive," says Donet Graves, a Washington, D.C. based attorney, who is leading the UEP effort nationally (Schmid, 2006). "Because we are private-sector driven, we have to produce results," says Daniel Heath, a deputy director at the National Economic Council and a White House economic advisor (Schmid, 2006).

One example of a coordinated multi-agency effort that brought franchises to underserved areas was New York’s Neighborhood Franchise Project (NFP). Several well-known franchisors, a major New York bank, and local economic development agencies from a Local Initiatives Support Corporation (LISC) worked together to address missing products and services in the inner city (Bennett, 1998). Their initial target area included four neighborhoods in the New York City area. They sought to bring in “family restaurants, shoe stores, ice cream shops, and other brand names to deprived urban areas [that] will provide jobs and boost the local economy” (Bennett, 1998). New York’s LISC continues its active role today having invested over $2.5 billion in more than 70 New York CDCs and other groups, including over $133 million in equity investments and affordable housing developments in 2015 alone (LISC New York City website, 2016).

Together with the LISC, UEP, multi-agency alliances, and the many community development corporations throughout the country, there are networks available to address the missing niches in underserved, disadvantaged neighborhood markets. Coordinating with these agencies is a key step for establishing a franchising strategy in any underserved community.

ATTRACTING FRANCHISORS AND FRANCHISEES TO A DISADVANTAGED COMMUNITY

Local government officials can also help to attract new business. As a cautionary tale, Porter identifies two very different local government approaches and the resulting impact of each. The first, Houston, met a prospective company's leadership at the airport, showed them potential parcels to build on, and handed them all "permits and waivers on the spot" (Porter, 1997). The second, Oakland, complained of the increased traffic this company could cause by expanding at one of their existing facilities (Porter, 1997). Houston's approach provides a good example of recruitment planning at work, while Oakland's is effectively an anti-recruitment approach.

In addition to a need for local government leadership, local agencies are also important. As one of the strongest institutions in many communities, the community development corporation (CDC), a non-profit community business development organization, can play a key role in attracting franchises to a local community. They often are a community's main entity that is able to "attract subsidies, assemble and prepare sites, and navigate the political landscape" to enable a franchisee to set up shop in a local community (Baldwin, 2003). There are almost 4,000 established CDCs nationwide, and on average they support 20,000 local residents each, which collectively represents 75 million people (Nelson, 2001). By the early 2000s CDCs had facilitated the creation of 71 million square feet of commercial and industrial space, over 500,000 affordable housing units, 250,000 jobs, almost $2 billion in loans, and supported 60,000 small businesses (Baldwin, 2003). Those numbers have continued to grow. CDC's sometimes own shopping centers and leverage other community assets, to augment a neighborhood's competitive advantage. They work closely with local, state, and federal agencies to maximize support and provide a bridge among those agencies, local banks, and local citizens to develop local working capital (Nelson, 2001). Baldwin (2003) says leveraging CDCs is a "good business practice." There is no doubt CDCs play one of the most important roles in attracting franchises to a local community.

In addition to community business development organizations, national and international industry groups can also play a role. In 2006, the IFA launched the DiversityFran program to help overcome local gaps for matching minority owners with attracted franchises to local communities, including limited access to capital, lack of business experience, and exclusion from wider informal informational and business networks. Outreach is a key component of the program, and the IFA conducts one-day seminars that explain the basics and legal aspects of franchising and provide financial and technical information. The IFA has formed partnerships with various minority business and community groups to reach potential minorities franchisees, including the National Urban League, Minority Business Development

Agency, and various ethnic Chambers of Commerce (IFA, 2015). Non-profits like the Urban League also provide training and technical assistance for aspiring entrepreneurs, often at no or limited cost, to help overcome a lack of business experience (Urban League of Greater Atlanta, 2016).

Working together, local governments, CDCs, and industry interest groups can contribute to attracting new franchisors and franchisees to disadvantaged communities by acting as marketers: recruiting, mentoring, and encouraging local citizens to pursue their dream of business ownership. Franchisors may respond with increased advertising in the target community, in order to find a local entrepreneur who understands the community and therefore would contribute to running a success business.

PUBLIC AND PRIVATE SECTOR TOOLS FOR A FRANCHISE STRATEGY

The co-founder of the National Minorities Franchising Initiative, C. Everett Wallace, identifies a robust public-private toolbox that can definitively address the challenges with acquiring upfront capital among prospective entrepreneurs in disadvantaged communities, who seek to enter the world of franchising. Federal, state, and local governments each have multiple initiatives, agencies, and tools designed to promote business development in disadvantaged communities (Wallace, 2002).

For instance, state and local governments provide many types of key support. One of the most common is tax increment financing (TIF). This public finance tool allows municipalities to secure public-sector bonds with part of their tax base, to finance a portion of locally needed economic development. Municipalities accomplish this by "removing tax base increases in areas designated as TIF districts from the general tax rolls and using the revenues from this 'captured' tax base to finance site improvements and other economic development costs" (Wallace, 2006). Public-sector bonds pay for site improvements. Revenues from the increased tax base pay for the bonds. Once retired, the increased tax base moves to general tax rolls. This tool helps economically challenged communities pay for improvements that they otherwise would be unable to afford. Franchise development could be part of implementing this strategy, to help make this tool effective for enabling successful local economic development.

Another tool of local governments is the Business Improvement District (BID). This tool enables a special assessment to be levied against local business owners in a business district, at the approval of the local business owners, who also have a say in how the raised money is spent, usually for such things as street cleaning, security, and site improvements (Jacobus, 2007).

Overall, state and local policies focus more specifically on incentivizing businesses to locate in economically depressed communities rather than directly providing financing. In

Georgia, the State Department of Community Affairs (DCA) and the City of Atlanta both offer tax abatements to businesses that locate in designated Enterprise Zones; these are areas that have high poverty, high unemployment, are underdeveloped, and evidence general distress and blight (Georgia Department of Community Affairs, 2016a). Similarly, DCA's Opportunity Zones program offers tax breaks for redevelopment efforts in qualifying areas that create at least two or more jobs (Georgia Department of Community Affairs, 2016b).

At the state level, there are other economic development tools available to support conditions to enable a franchise strategy to catch hold for local economic development. The Georgia Association of Regional Commissions (GARC) has 12 regional commissions located throughout the state that work with local governments to support "areas of planning, economic development, transportation, information technology, and human services" (GARC, 2016). While not specifically used to fund businesses such as franchises, they coordinate local, state, and federal entities to enable conditions in which a franchise strategy can thrive, and should be consulted for early questions regarding the use of land, the environment, and long-term economic development concepts for a region (GARC, 2016). The Atlanta Regional Commission (ARC) was a sponsor of the 2010 Livable Communities Initiative (LCI) Study conducted on the west side of Atlanta, which will serve as a base for review in Part II of this research paper.

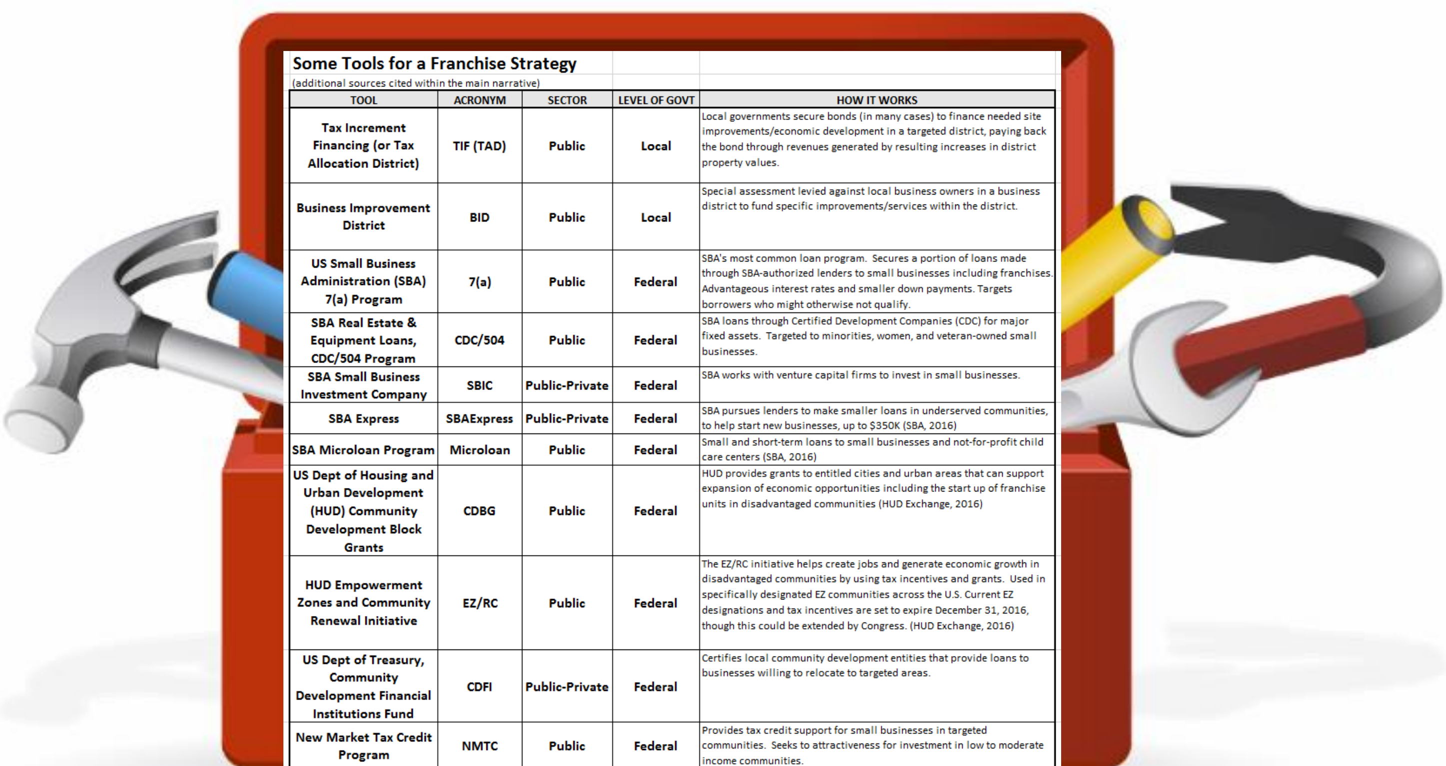
At the federal level, there are many agencies that work diligently to support economic development in disadvantaged communities, and can provide a bevy of programs and financial tools that can strengthen a franchising strategy for local economic development. Federal government programs can help minority franchisees overcome the hurdles identified earlier by the IFA.

Since 1953, the Small Business Administration (SBA) has successfully supported loans to small businesses including franchisees (Thorman, 2013). In addition, the SBA One-Stop-Capital Shop program helps franchisees in major metro areas write a business plan, locate an eligible site, find financing, and identify tax breaks and other incentives for which they may qualify.

SBA offers a couple of types of loans of interest for a franchise strategy. The first is the 7(a) Program, which is used to encourage the start of new small businesses (IFA, "SBA Loans"). Under the 7(a) program, SBA does not actually provide direct loans to small business owners. They secure a portion of loans made through SBA-authorized lenders, which provides banks an incentive to consider loans to small businesses, especially those with a 'weakness' in their application, since the lender's risk is reduced (IFA, "SBA Loans," Thorman, 2013). The SBA 7(a) loan guarantee program is also intended to facilitate minority access to financing. 7(a) loans are issued by private lenders, but nonetheless provide attractive and flexible terms for borrowers, with long maturity periods. The SBA then guarantees at least 75% of the loan's value, substantially mitigating the lender's default risk (Thomas, 2015). Loans can be made up to $2 million (Thorman, 2013).

The second type of SBA loan of interest is the 504 Loan Program. The 504 Program targets minorities, women, and veterans, providing loans through a Certified Development Company (also CDC) for major fixed assets, such as land and buildings, in areas targeted for economic development. Nationally, there are approximately 270 of these CDCs, which are divided geographically (Thorman, 2013).

The SBA has also developed a Small Business Investment Company (SBIC) program, whereby venture capital firms with private capital invest in small businesses (Wallace, 2002). The SBA also has developed a Franchise Registry to help speed up the process for securing financing for those seeking to purchase an approved franchise (Wallace, 2002). It has also set up the SBAExpress program which seeks lenders in underserved communities that will provide smaller loans to help start new small businesses (Wallace, 2002).



Some Tools for a Franchise Strategy
(additional sources cited within the main narrative)

TOOL	ACRONYM	SECTOR	LEVEL OF GOVT	HOW IT WORKS
Tax Increment Financing (or Tax Allocation District)	TIF (TAD)	Public	Local	Local governments secure bonds (in many cases) to finance needed site improvements/economic development in a targeted district, paying back the bond through revenues generated by resulting increases in district property values.
Business Improvement District	BID	Public	Local	Special assessment levied against local business owners in a business district to fund specific improvements/services within the district.
US Small Business Administration (SBA) 7(a) Program	7(a)	Public	Federal	SBA's most common loan program. Secures a portion of loans made through SBA-authorized lenders to small businesses including franchises. Advantageous interest rates and smaller down payments. Targets borrowers who might otherwise not qualify.
SBA Real Estate & Equipment Loans, CDC/504 Program	CDC/504	Public	Federal	SBA loans through Certified Development Companies (CDC) for major fixed assets. Targeted to minorities, women, and veteran-owned small businesses.
SBA Small Business Investment Company	SBIC	Public-Private	Federal	SBA works with venture capital firms to invest in small businesses.
SBA Express	SBAExpress	Public-Private	Federal	SBA pursues lenders to make smaller loans in underserved communities, to help start new businesses, up to $350K (SBA, 2016)
SBA Microloan Program	Microloan	Public	Federal	Small and short-term loans to small businesses and not-for-profit child care centers (SBA, 2016)
US Dept of Housing and Urban Development (HUD) Community Development Block Grants	CDBG	Public	Federal	HUD provides grants to entitled cities and urban areas that can support expansion of economic opportunities including the start up of franchise units in disadvantaged communities (HUD Exchange, 2016)
HUD Empowerment Zones and Community Renewal Initiative	EZ/RC	Public	Federal	The EZ/RC initiative helps create jobs and generate economic growth in disadvantaged communities by using tax incentives and grants. Used in specifically designated EZ communities across the U.S. Current EZ designations and tax incentives are set to expire December 31, 2016, though this could be extended by Congress. (HUD Exchange, 2016)
US Dept of Treasury, Community Development Financial Institutions Fund	CDFI	Public-Private	Federal	Certifies local community development entities that provide loans to businesses willing to relocate to targeted areas.
New Market Tax Credit Program	NMTC	Public	Federal	Provides tax credit support for small businesses in targeted communities. Seeks to attractiveness for investment in low to moderate income communities.
US Dept of Commerce Economic Development Administration	EDA	Public	Federal	Focuses exclusively on economic development. Provides grants to local economic development agencies to support creation of new jobs and local businesses within a community. (US EDA, 2016)
US Department of Health and Human Services, Office of Community Services, Assets for Independence	AFI	Public	Federal	Working through non-profit and governmental agencies, Assets for Independence (AFI) helps participants save income in special savings accounts that receive matching funding. This enables the ability to achieve targeted objectives which include starting a business. Funds are not awarded/matched directly to individuals. (HHS Website, 2016)
Federal Home Loan Bank, Community Investment Program	CIP	Public	Federal	Provides legal guidance to local banks under the Community Reinvestment Act.
International Franchise Association, Minorities in Franchising Committee	IFA Minorities in Franchising Committee	Private	Private	Analyzes economic environment for franchises within predominantly minority communities.
Urban Entrepreneur Program	UEP	Public-Private	Federal-Private	Assists minority entrepreneurs in "historically-neglected or economically-underperforming urban areas" in certain U.S. cities. (Wallace, 2006)
Georgia Association of Regional Commissions	GARC	Public	State	Support and coordination for local, state, and federal programs in support of planning, economic development, and other regional development support.
Local Initiative Support Corp Neighborhood Franchise Project	LISC NFP	Private	Private	NFP targets minority franchise buyers with 80% loans in specific neighborhood-focused projects. LISC provides support to CDCs in over 40 cities.
Community Development Corporation	CDC	Private	Private	Non-profit community business development organization with over 4,000 local offices nationwide, providing key support that can be used to attract franchises to a local community.
The Franchise Partnership (Chicago)	TFP	Private	Private	Acts as a go-between for potential franchisees and banks.
Franchisors		Private	Private	Many franchisors have minority ownership and minority support programs to support their franchisees in disadvantaged neighborhoods.
Social Franchising		Private	Private	Technique that seeks to earn enough money to stay operational while simultaneously addressing community social needs.

Figure 4 (previous page). Some of the local, state, and federal tools available to support a franchise strategy for local economic development (Toolbox image source: http://www.proactiverisk.com/author/ivk97u/page/2/).

The Department of Housing and Urban Development (HUD) provides another public-sector financing mechanism, through the Community Development Block Grants (CDBG). This program distributes grant dollars to support the start-up of local franchises that will provide services and job creation in disadvantaged communities (Wallace, 2002). Two other HUD tools include Empowerment Zones and Renewal Communities, managed by the U.S. Department of Agriculture, to give direct assistance to new franchisee businesses in specified communities (Wallace, 2002).

Yet another Federal agency that provides enabling tools for franchise strategies is the U.S. Treasury Department's Community Development Financial Institutions Fund (CDFI Fund). This tool provides support for community-based lending institutions that serve disadvantaged neighborhoods, including new franchised businesses (Wallace, 2002). The CDIF Fund certifies local community development entities (CDE) that provide loans to businesses willing to move to targeted areas (Wallace, 2002). By combining this with marketing to specific types of franchises that fill holes in a local communities' servicing needs, multiple goals can be achieved at the same time. In addition, the CDFI Fund bolsters the opportunity to establish new small businesses in disadvantaged communities by operating the New Market Tax Credit Program (NMTC), which has provided $15 billion worth of support for small businesses over a six-year period (Wallace, 2002). The NMTC is designed to reduce risk and improve the financial viability of a small business in a target community, increasing the attractiveness of low to moderate income (LMI) communities for revitalization (Wallace, 2002).

There are even more options in the federal toolbox from the U.S. Department of Commerce's Economic Development Administration (EDA), the U.S. Department of Health and Human Services' Office of Community Services (HHS website, 2016), and the Federal Home Loan Bank's Community Investment Program (CIP) (Wallace, 2002).

The private sector also has several programs to encourage and strengthen franchise businesses in disadvantaged communities. The International Franchise Association (IFA) created their Minorities in Franchising Committee to analyze the franchise environment among minorities, and encourage local community development partnerships between all parties involved in franchising in communities with large minority populations (Wallace, 2002). Other organizations include the National Congress for Community Economic Development (NCCED), and the National Minority Franchising Initiative (NMFI) (Wallace, 2002). Together, these support and advocate to increase franchise participation in the most disadvantaged neighborhoods, supporting the success and sustainability of franchising strategy for local economic development.

Previously discussed for its efforts to attract new businesses to underserved areas, the Urban Entrepreneur Program (UEP), a joint effort of the White House, National Urban League, Business Roundtable, and the Ewing Marion Kauffman Foundation, is a public-private partnership tool for assisting minority entrepreneurs to get started in the world of business. The UEP combines public, for-profit, and non-profit resources in "historically-neglected or economically-underperforming urban areas" (Wallace, 2006). This tool provides technical assistance for all aspects of opening a new business, as well as expanding an existing business.

Of the many private sector tools available, an example is the previously mentioned Neighborhood Franchise Project (NFP), created by a non-profit Local Initiative Support Corp (LISC) and local banks. LISCs support community development corporations in over 40 cities. The NFP targets potential minority franchise buyers with 80% loans, and helps CDCs to vet prospects (Lamar, 2000).

Another private sector example is Chicago's The Franchise Partnership (TFP), which was created by the Center for Neighborhood Technology, Chicago United, and the Hispanic Housing Development Corp. TFP acts as a go-between for potential franchisees and banks, to help them acquire a loan backed by the Small Business Administration (Lamar, 2000).

Franchisors themselves provide valuable private sector tools for supporting a franchise strategy in disadvantaged communities with large minority populations. Wallace (2007) compiled a list of the top 50 franchisors who are supporting this effort. Names include Papa John's Pizza, Schlotsky's Deli, PostNet, RE/MAX International, and Liberty Tax Service, among several others. Examples of the assistance these franchisors provide include unique financial incentives, investment plans, financial training, and other special support (Wallace, 2007). Altogether, Wallace, who co-founded NMFI, has developed a detailed list of over 500 franchises that actively recruit and support minority owners.

Alternatively, non-profit groups can encourage franchise development in low-income neighborhoods by investing in or owning franchise operations directly. This practice is not widespread, but non-profit organizations have purchased franchises as a platform to generate organization revenue, create local jobs, and provide services like job training in low-income neighborhoods. Non-profits commonly own small business units, and franchising can help to mitigate risks of starting up a social impact-oriented business for these organizations in the same ways as for profit-seeking entrepreneurs. Non-profit owners can commit to minority hiring and management programs, and may be willing to locate in more marginal locations. About a third of existing non-profit-owned franchises are owned by community development corporations, but others have a variety of social missions (Community Wealth Ventures and IFA Educational Foundation, 2004).

SOCIAL-FRANCHISING AND ALTERNATIVE STRATEGIES

Social franchising is a variant of a franchising strategy that has two concurrent goals, to make enough money to "maintain and extend operations" within the community, as well as address social development issues (Hidalgo, 2012). As such it provides the potential to be a more sustainability-oriented community economic development strategy.

Social franchising differs from a commercial franchise, mainly in that it seeks to "retain only the value needed to maintain and extend operations and…meet [social] development goals (Hidalgo, 2012). A social franchisor may be able to acquire grants from NGOs and donors to improve their chances of becoming self-sustainable (Hidalgo, 2012).

Another alternative effort has identified a critical social shortfall, "food deserts," that represent areas where major supermarkets are reluctant to tread (Morland, Wing, Diez Roux, and Poole, 2002). A 2001 study by Morland et al., looked at the distribution of food services in neighborhoods based on their wealth and predominant racial makeup, discovering these unique variances between communities:

1) Wealthy neighborhoods have three times fewer places to purchase and consume alcohol than poorer neighborhoods.
2) Predominantly white neighborhoods have four times as many supermarkets as predominantly black neighborhoods.
3) The ratio of supermarkets to people in predominantly white neighborhoods is approximately 1:4,000, while the ratio in black neighborhoods is almost 1:24,000 (Morland et al., 2002).

They also validated the belief that individual health and behavior are impacted by "social and physical surroundings," and that lower income areas must depend upon smaller grocery stores with higher prices, and a limited selection of healthy food choices (Morland, et al., 2002). In general, the poor cannot afford or easily access healthier food choices, and they rely more heavily upon processed foods (Morland, et al., 2002).

A study by Kansas State researchers indicated that restaurants in low-income neighborhoods tend to serve less healthy food, while also having easier access to processed and higher calorie foods (Culp-Ressler, 2014). In underserved communities, a franchise strategy should identify these types of gaps and deserts, and then seek to fill them through the use of the many aforementioned tools discussed to meet social needs as well as financial needs, and address the social equity issues so commonly seen in underserved and disadvantaged communities.

PART II – CASE STUDIES: USING A FRANCHISE STRATEGY TO SUPPORT LOCAL ECONOMIC DEVELOPMENT ON HOLLOWELL PARKWAY

A SHOPPING CENTER APPROACH: SITING AND CLUSTER DEVELOPMENT

Nine franchises have been identified to start a franchise strategy for local economic development on Hollowell Parkway. Seven of these have been identified for location within a new shopping center, to provide a synergistic nucleus of the franchise strategy that will spur further economic development throughout the rest of the community. Two other franchises have been identified for siting along the Hollowell Parkway corridor, which can serve as a model for others interested in beginning businesses using existing vacant spaces and underutilized commercially-zoned properties along the parkway.

CHOOSING A SITE

During the original site visit, it was apparent that there was a greater flurry of activity along Hollowell Parkway at its intersection with James Jackson Parkway compared to many other points along the parkway. An examination of property maps confirmed a greater density of housing close by the intersection. In the 2010 LCI Study, the area of the former Bowen Homes also near this intersection was identified for mixed-use nodal development. There is also a fairly new seniors' apartment complex located in the immediate vicinity.

These factors led to the conclusion that this is an excellent area to create a franchise strategy, and enable an opportunity for further economic development. Since there was also a need identified for a grocery store, it was necessary to a large site near the intersection, in an area with mostly small fragmented properties. A 7.6-acre undeveloped site was found, zoned *C-1, Community Business*. Using an undeveloped site will prevent displacement of existing businesses already in the area, and perhaps encourage new businesses to occupy the remaining vacant building stock, by leveraging proximity to new commercial development in the area. The 7.6-acre site is large enough to accommodate a small shopping center, with accompanying parking lot, which will allow multiple new franchised businesses to establish a new economic center for the community. This could provide the spark needed for additional economic development. A feature of this 7.6-acre site is frontage on both Hollowell Parkway and James Jackson Parkway. This will allow ingress and egress on two major local roads, and facilitate easy access to the proposed shopping center, both for customer access, as well as tractor-trailer resupply of the businesses.

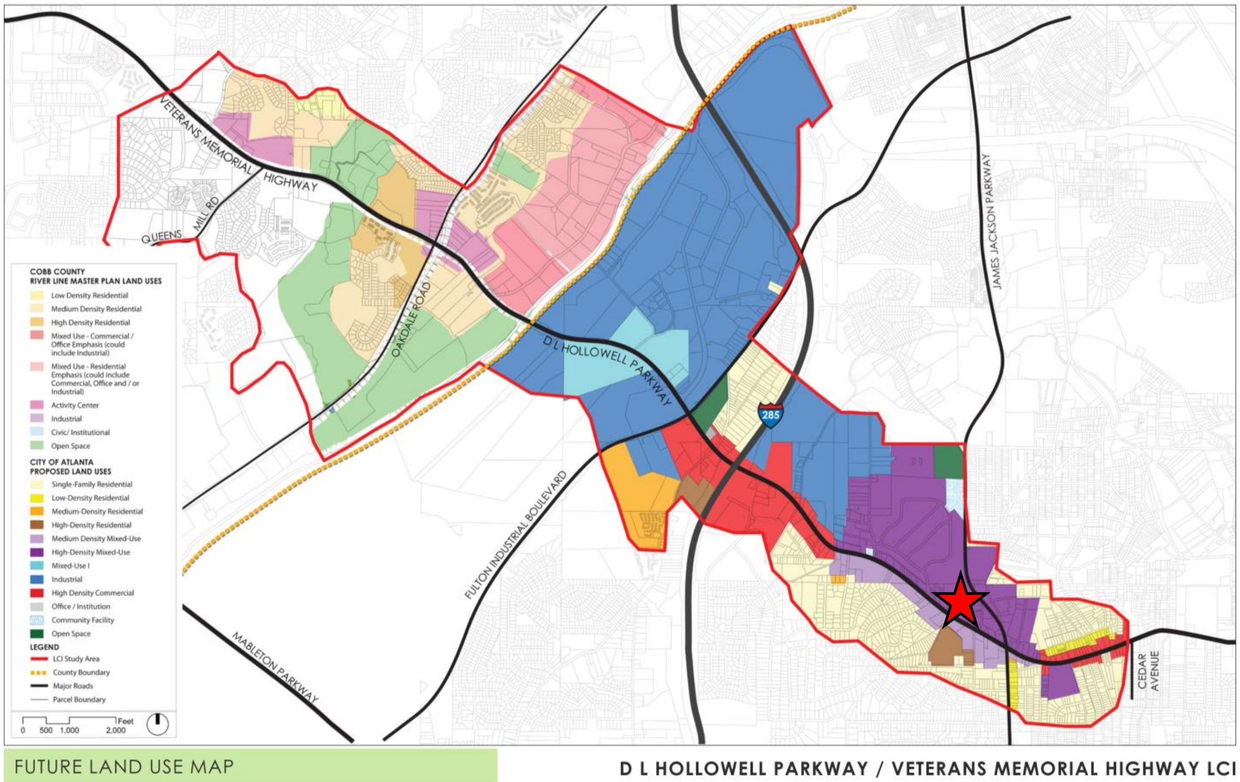


Figure 5. The chosen shopping center site rests within the LCI Study's proposed high-density mixed-use zone (dark purple). The red star designates the location on the proposed shopping center in relation to the larger purple mixed-use proposed development, which also covers the area previously occupied by Bowen Homes. The light purple area represents the LCI Study's proposed medium density mixed-uses, and presents an opportunity to eventually provide a stronger storefront spatial configuration along Hollowell Parkway (LCI Study, 2010, 87).

Figures 6, 7. On the left, Hollowell Parkway facing west from the near the intersection with James Jackson shows the seniors' apartment housing across from the propose shopping center site. On the right is the Hollowell frontage of the proposed site (Google Earth Pro).

Figure 8. 7.6-acre site seen in its imagery context and with proposed shopping center site plan (Google Earth Pro).

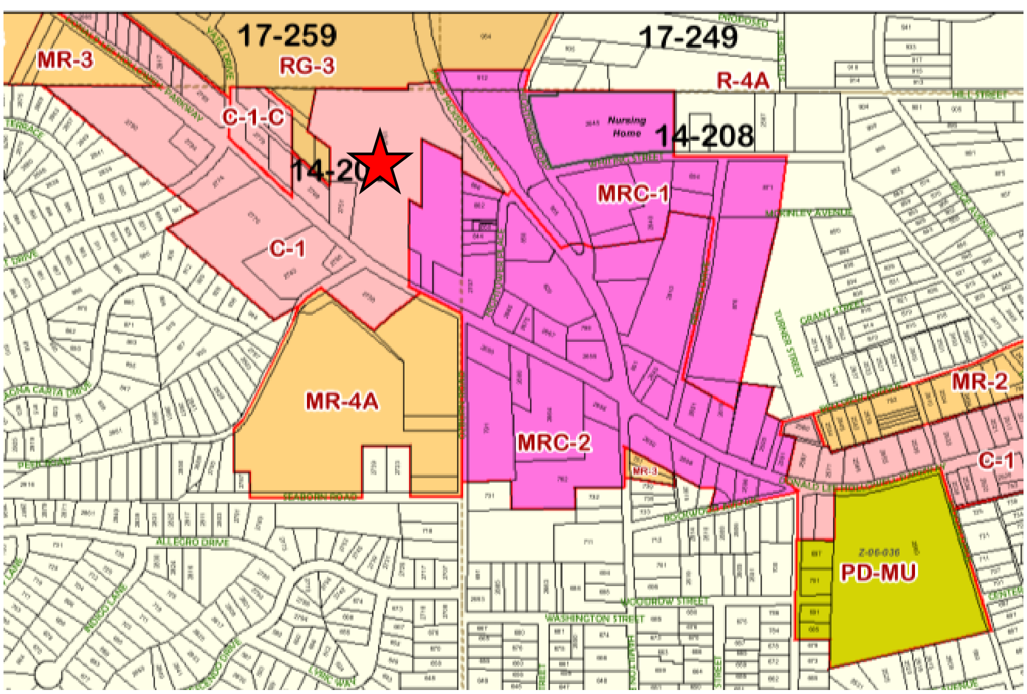


Figure 9. Official Zoning Map (City of Atlanta, GA, Sheet No. 14-207, February 7, 2013).

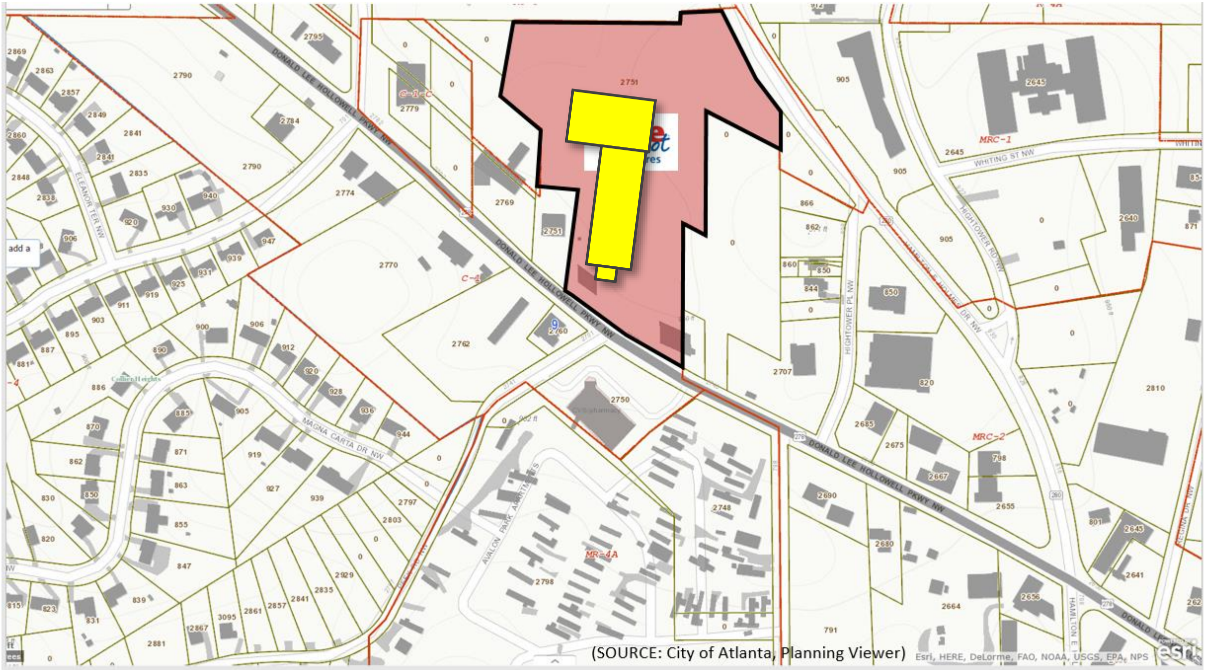
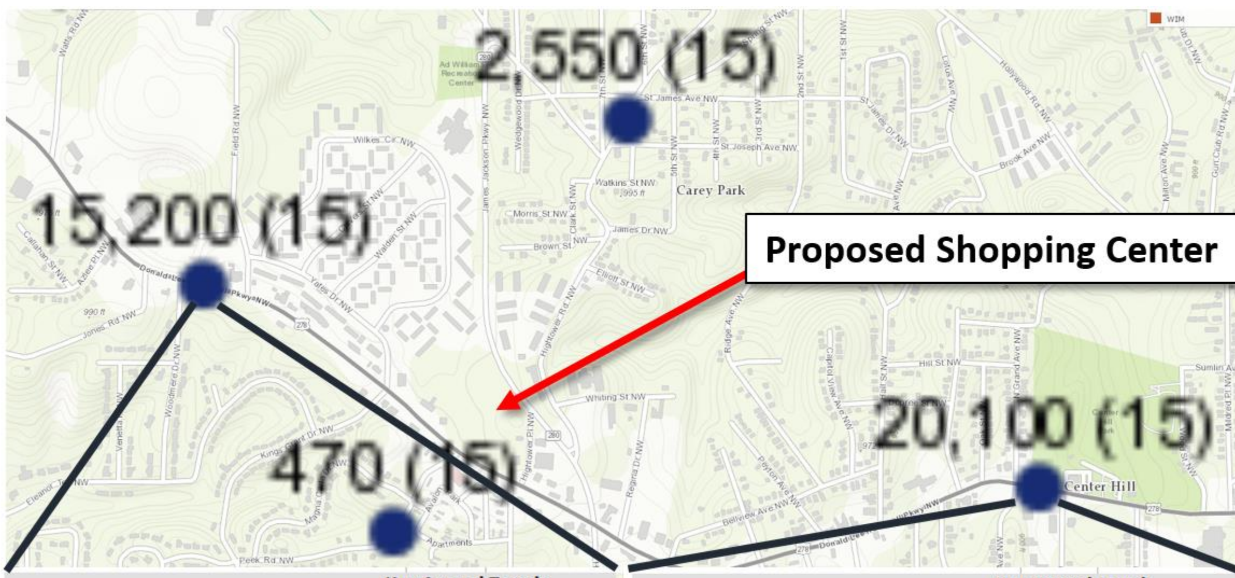


Figure 10. The 7.6-acre site is seen in its imagery context and with a proposed shopping center site plan (Google Earth Pro, City of Atlanta GIS Planning Viewer).

TRAFFIC AND TRANSPORTATION CONSIDERATIONS

A review of the Georgia Department of Transportation traffic counts on Hollowell Parkway show that in 2015 a counter to the east of the intersection with James Jackson recorded an average daily traffic count of 20,100 vehicles. A counter on the west side of the intersection with James Jackson recorded 15,200 vehicles on average per day. These figures indicate that between 15,000 and 20,000 people pass by the proposed site each day, and represent an opportunity for encouraging the picking up of spur-of-the moment items on the way home. It is interesting to note that while traffic counts have remained fairly steady from 2005 to 2015 on the western counter, there is a noted increase of almost 22% from the eastern counter for the same period (Georgia DOT, 2016). The site chosen for the shopping center is on the "go home side of the street," between these counters, which supports Save-A-Lot's siting strategy to capture shoppers on their way home from work. For this community, it is anticipated that foot traffic and MARTA bus access will compose a greater percentage of customer access than shopping centers in more affluent locations. The LCI Study stated that MARTA has identified Hollowell Parkway, "as a premium transit corridor in regional plans" (LCI Study, 2010, 72). There are existing sidewalks on both Hollowell Parkway and James Jackson Parkway near the intersection, but these need substantial upgrades to improve their safety and accessibility to the proposed shopping center, especially for improved bicycle access (LCI Study, 2010, 44). Bus stop shelters near the proposed shopping center site also require improvements.

The LCI Study also identified projects within the Atlanta Regional Commission's short-range and long-range transportation improvement plans. In the immediate vicinity of the proposed shopping center, there are plans to widen Hollowell Parkway from four lanes to five lanes, between I-285 and the James Jackson intersection, and widen James Jackson from I-20 to Hollowell Parkway. There is also a long-range plan to introduce a gridded street system onto the former Bowen Homes site. The widening projects present a very real potential for even greater traffic counts moving along the proposed shopping center site, which presents an even better stimulus for future economic development.



Key Annual Trends

Year	Annual Average Daily Traffic	% APR Change	Annual Average Daily Truck Traffic	% Trucks	K Factor	D Factor	85th Pctl Speed
2015	15200	3.40	1065	7.01	8.96	50.00	
2014	14700		1030	7.01	8.96	50.00	
2013	12580		881	7.00			
2012	12540		854	6.81			
2011	13450		916	6.81			
2010	13320		907	6.81			
2009	14400						
2008	14630		433	2.96			
2007	15580						
2006	15900						
2005	14640						

Key Annual Trends

Year	Annual Average Daily Traffic	% APR Change	Annual Average Daily Truck Traffic	% Trucks	K Factor	D Factor	85th Pctl Speed
2015	20100	16.18	688	3.42	8.47	62.88	
2014	17300		535	3.09	8.00	60.00	
2013	17260		535	3.10	8.00	60.00	
2012	16940		588	3.47			
2011	16650		578	3.47			
2010	15400						
2009							
2008	17920						
2007	18670						
2006	15060						
2005	16480						

Figure 11. Traffic counts on Hollowell Parkway, 2005-2015 (Georgia DOT, 2016).

DESIGNING THE SITE: The 'GENESIS' SHOPPING CENTER

Once the site was selected, it became apparent that the 7.6 acres could support not only a grocery store and its required parking and loading areas, but was large enough to provide a small shopping center that could support several new franchises. This feature will be critical in the early years of this franchise strategy, until these businesses can become stable, and hopefully spur additional businesses and jobs in the area. The grocery store licensed franchise chosen, Save-A-Lot, prefers to be co-located with other discount retailers, with the grocery store serving as the anchor. This arrangement is common throughout the Atlanta area, as well as other parts of the United States.

A key feature of the site is its frontage on both Hollowell Parkway and James Jackson Parkway. This will not only make ingress and egress more efficient, but will also help with getting tractor trailers in and out for unloading, without causing undue trouble at the Hollowell access point. The site configuration governed the orientation of the store frontage and location as designated in the images below. While it is acknowledged that placing the Save-A-Lot grocery store adjacent to Hollowell Parkway is most desirable for visual line of sight, the store is located closest to the highest amount of parking possible and to facilitate the easiest unloading of 53-foot tractor-trailers. Also, being the anchor, the Save-A-Lot store will be able to pull customers through the "system" to maximize exposure to the other franchise fronts located on the strip. In addition, a large sign will be placed on Hollowell so that there will be no doubt that there is a grocery store present at this location. In addition, compared to most vehicle-oriented shopping centers, there are more people in this area who travel by foot, bicycle, and public transit, and who are more likely to notice the Save-A-Lot and other businesses.

Figure 12. This large signage will compensate for the anchor grocery store's position at the back side of the site, away from Hollowell Parkway. It will effectively serve the "go home side of the street." This configuration is certainly not unusual, as anchors are often located in a place that pulls customers by the other stores. This will effectively be accomplished here as well (Yelp website, 2016).

The shopping center has been designed to incorporate features that will encourage the development of micro-businesses in the area. A 'food cart court,' with parking specifically for food trucks has been included in the design, as well as a 'pop-up shop' square, which can also serve as a farmer's market. Each of these could host events held on designated nights of the week, as is popularly done in other communities and towns around metro Atlanta. This will also address feedback received during the LCI Study, which identified the need for not only a grocery store, but also a farmer's market. The open space can also serve as an unofficial community square or gathering space to strengthen the neighborhood's social interaction and development.

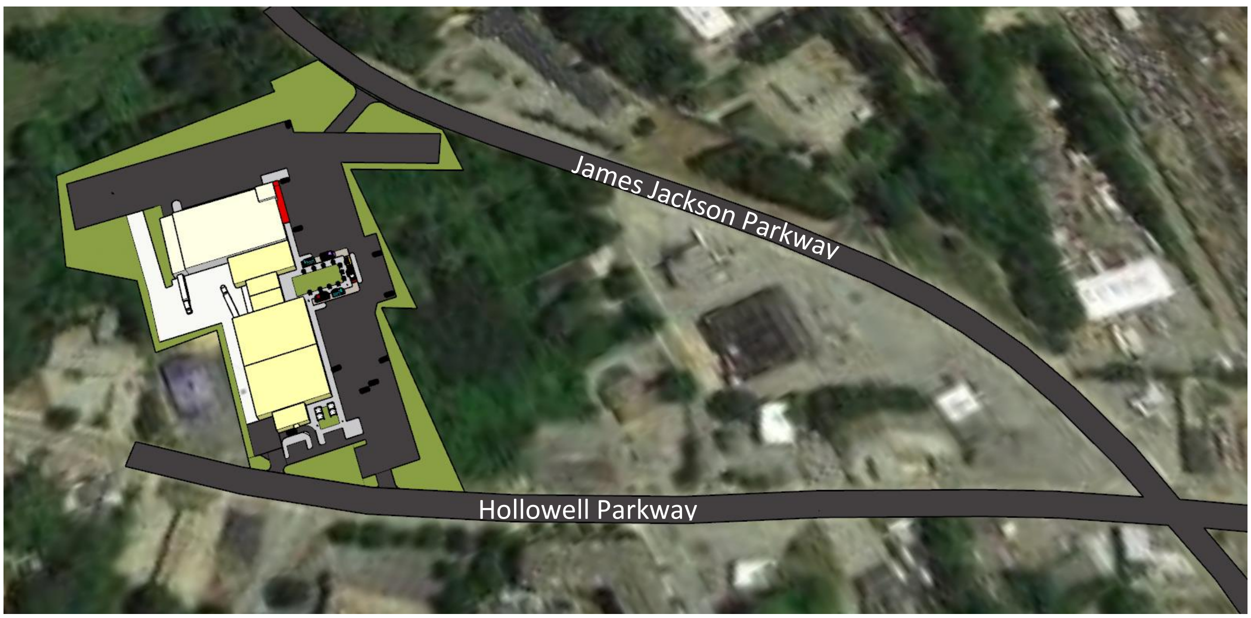


Figure 13. The site plan of the proposed shopping center and its connection to both Hollowell Parkway and James Jackson Parkway, on a 7.6-acre contiguous site (design and layout by Mark Sloan).

Figures 14, 15. Shopping center features include a 'pop-up shop' square, which can also serve as a farmer's market, and a 'food cart court.' These can provide a community center and encourage micro-businesses (Mark Sloan).

The shopping center was designed to accommodate seven franchises, with the store floor area configured to support each franchise's specific size and access requirements. The following provides the seven franchises located in the shopping center, from north to south, with their approximate sizes:

Save-A-Lot Food Stores	18,000 SF
Pearle Vision Optical Wear	5,000 SF
Freshii Healthy Casual Dining	1,500 SF
PostNet	1,500 SF
Habitat for Humanity ReStore	10,000 SF
Club Entrepreneur	10,000 SF
Dunkin Donuts	1,500 SF

The small unit on the end can accommodate a drive-through window.

The Atlanta Code of Ordinances directs the inclusion of one parking space for each 200 square feet of retail floor area. For this shopping center's 47,500 square feet, a total of 238 parking spaces will be required. It is calculated that the black areas in the following images could support up to 300 parking spaces, so not all of the black top areas will be required.

Figure 16. The overall layout of the shopping center provides seven franchised store sites in 47,500 square feet. Features include ingress/egress on both Hollowell Parkway and James Jackson Parkway, and a "food cart court" and "pop-up shop" square, which can be used as a community gathering space and farmer's market (Mark Sloan).

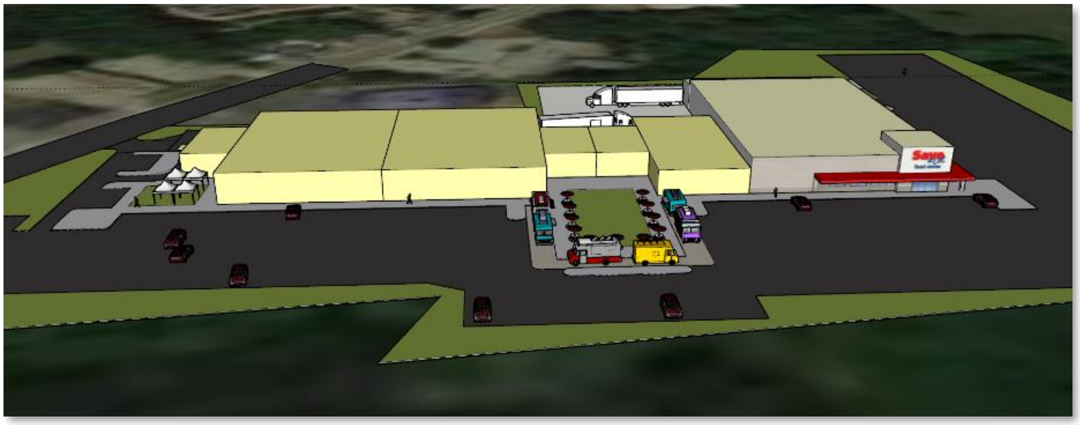


Figure 17. Front view, looking west shows the seven franchises, as well as the 'pop-up shop' square and the 'food cart court' (Mark Sloan).

Case Study #1

FRANCHISE #1: SAVE-A-LOT FOOD STORES by Mark A. Sloan

Leveraging the arguments for the use of a franchise strategy, as well as the tools that can support this approach, the community surrounding Hollowell Parkway on Atlanta's west side provides a place to propose application.

CHARACTERISTICS OF HOLLOWELL PARKWAY AND ITS SURROUNDING NEIGHBORHOOD

The neighborhoods surrounding Hollowell Parkway on Atlanta's west side show evidence of several years of disinvestment. Much, if not most, of the residential and commercial stock along Hollowell Parkway, particularly west of the Joseph E. Lowery Boulevard and east of Interstate 285, is in a poor state of repair. Along this 4.7 mile stretch of Hollowell Parkway the buildings are often vacant, or are businesses that sell limited stocks of pre-packaged foods, cigarettes, alcohol, or used as shops for auto parts supply and repair. There are a few fast food restaurants, including a few 'mom and pops,' with several specializing in fried seafood. There are relatively few chain stores, and almost nothing that appears to have been built within the last five years. There are the remains of larger grocery stores from the past, but these buildings are now boarded up and abandoned.

Figure 18. A representative seafood restaurant (Google Earth Pro, August 2016).

Figure 19. Previous attempts to serve the local market (Mark Sloan).

Figure 20. A current grocery option in the area. (Google Earth Pro, August 2016).

Figure 21. A past supermarket in the area…not really the size of today's supermarkets (Mark Sloan).

Figure 22. Abandoned gas stations and other buildings in disrepair are not unusual sights in this area (Mark Sloan).

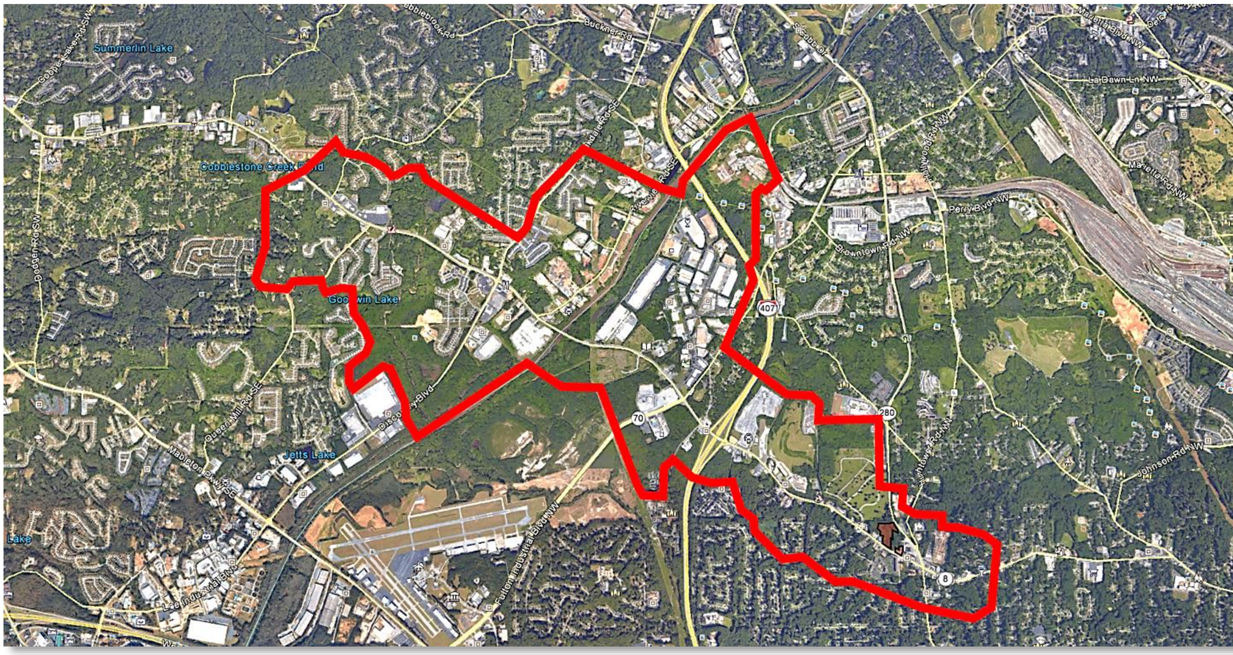


Figure 23. The LCI Study area (LCI Study and Google Earth Pro).

A look at the demographic statistics for this area provide a basis for the use of a franchise strategy for local economic development. The 2010 Livable Communities Initiative (LCI) Study prepared by the Sizemore Group, and commissioned by the City of Atlanta, Cobb County, and the Atlanta Regional Commission, identified a study area of Hollowell Parkway that extends from Cedar Avenue in the east, within Atlanta, to just beyond Hickory Trail within Cobb County, a distance of 4.5 miles. Within this study area, 2014 ESRI estimates showed a population of 8,938 people, and within two miles of the study area, a population of 36,118. By 2019, it is estimated this population with grow by 9% (LCI Study, 2010).

Using Social Explorer to review data on four U.S. Census tracts located in the eastern vicinity of the study, using data from the U.S. Census American Community Survey (ACS 2014 five-year estimate), the population is 95.9% African-American, 2.9% White, and only 1.2% from other racial backgrounds.

The median age for the LCI study area is 25.9 years, significantly lower than 33.3 years for Atlanta as a whole. For the 2-mile primary market, the 2014 median age in the LCI study area was projected at 28.9, also substantially lower than that of Atlanta. This indicates a presence of youth and children, which is one of the criteria considered by some franchisors in the determination of their target markets.

The median household income within the 2-mile primary market area around the LCI Study was projected at $31,576 for 2014. This is almost 40% less than for Atlanta as a whole, $52,051 (LCI Study, 2010, 54), and indicates significantly lower buying power than what would attract many franchisors to this local area. Even more telling is the 2014 per capita income for the 2-mile market area, $15,734, which was less than half of Atlanta's overall per capita income ($35,325). It should be noted that moving from a two-mile to a five-mile range from the LCI study area, the per capita income almost doubles to over $29,000. This could be attributable to the presence of an older demographic with fewer or no children. A review of 2014 American Community Survey data (5-year estimate) indicates there are census tracts in the area with a substantially older population, with a median age in the 44-year old range (American Factfinder, accessed December 11, 2016). Bringing additional businesses into this area, such as those being proposed in this project, could provide important amenities for more elderly, less-mobile populations.

The business climate for this area is poor. As identified in the chart below, a visual survey conducted by the Emerald Corridor Foundation identified a 42% vacancy rate in commercial storefronts along Hollowell Parkway. Additionally, from 2013 to 2016, only a small number of business license and permit applications were submitted to the city for approval.

2013-2016	Hollowell Corridor	City of Atlanta
Business Licenses	188	13,373
Building Permits	300	13,745
Commercial Vacancy Rate	42%	18%

Source: City of Atlanta

Figure 24. (provided by Lynn Patterson, Emerald Corridor Foundation).

The LCI Study identified an unemployment rate of 24.8% within the study area in 2010 and projected that in 2015 this would be reduced to 17.1%. However, in the four census tract areas touching a 1-mile radius from the intersection of Hollowell Parkway and James Jackson Parkway (82.01, 83.01, 86.01, 86.02, see *Figure 25*), the unemployment rate was 23.5%, according to 2014 ACS data. This extremely high unemployment rate must be considered in the franchise strategy approach.

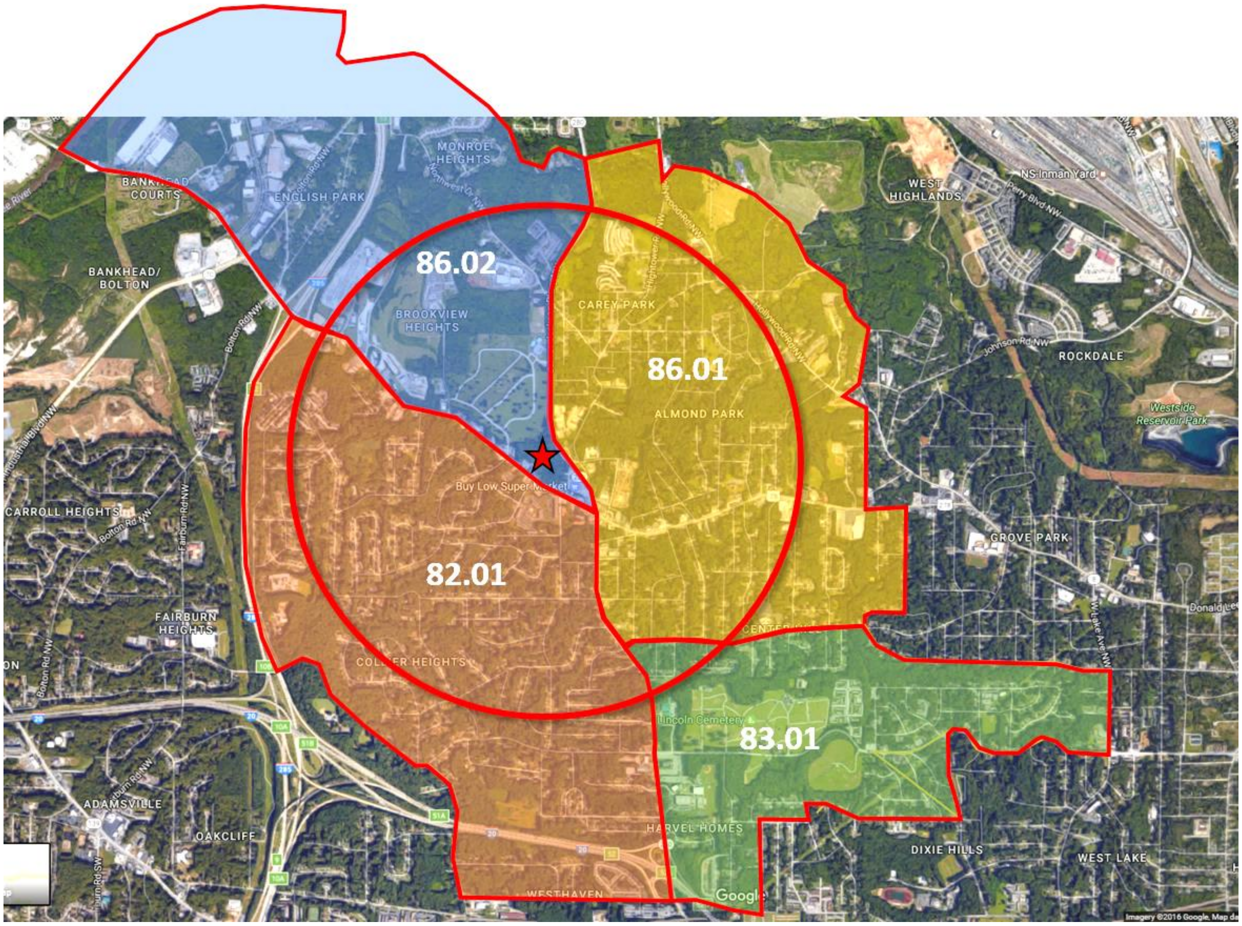


Figure 25. Four U.S. Census tracts surrounding the intersection of Hollowell Parkway and James Jackson Parkway, with a one-mile radius circle (Social Explorer and Google Earth Pro).

LOCAL RETAIL AND SERVICE GAPS

The search for a suitable franchise to support a local economic development strategy begins with an identification of the retail and service offerings currently available and unavailable within this community. The observed preponderance of fast food and fried seafood-type restaurants, as well as several mini-marts that offer gas, cigarettes, and alcohol along with a limited selection of grocery items, indicates a need to further investigate the foods readily accessible within the community. A Google Maps search of the area provides a clue for this food availability. There is one small independent grocer located in the heart of this area, the Super Valu (sic) Buy-Low grocery store.

Figure 26. The main grocery option near the intersection of Hollowell Parkway and James Jackson Parkway (by the author).

The closest chain supermarket is a Publix, located on the western side of the Chattahoochee River in Cobb County, where Hollowell Parkway changes names to Veteran's Memorial Highway. It caters to a seemingly different economic demographic than the Hollowell Parkway corridor east of the river.

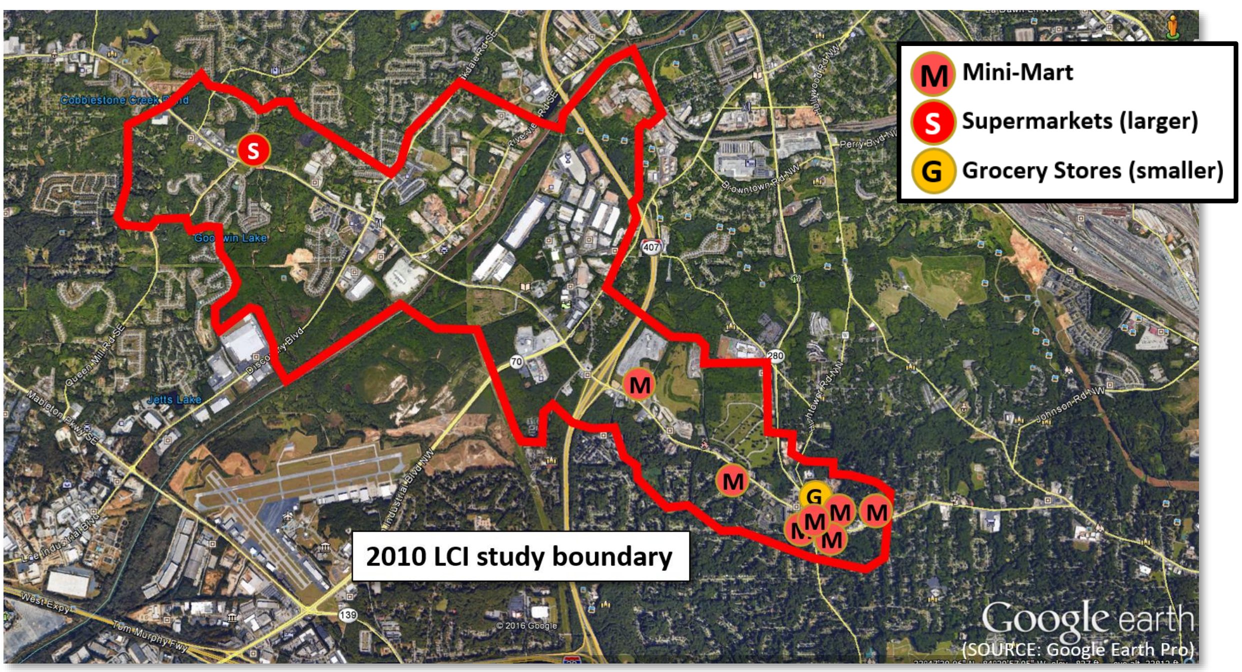


Figure 27. Survey of local grocery options in the area (Google Maps & Earth Pro).

A Google Maps search confirms there are no major supermarkets within the image above, except for the Publix noted on the Cobb County side of the Chattahoochee River. It is evident from this review, along with all other evidence previously considered, that the Hollowell Parkway corridor, centered upon the intersection of Hollowell Parkway and James Jackson Parkway NW, is a *food desert*.

The 2010 LCI Study held public outreach meetings in the 2009 to 2010 timeframe to gain insights from local stakeholders, and the community-at-large, on their views of the needs of the community. The stakeholder committee consisted of community and business leaders, local owners, and local government agencies. Events included a public design workshop, which included a Character Preference Survey, and discussion of local issues and potential initiatives (LCI Study, 2010, 59-60). The resulting community vision identified a desire for a quality grocery store, restaurants, a farmer's market, storefront development, and community gathering spaces, among several additional provisions (LCI Study, 2010, 62-63).

The design workshop identified key nodes along Hollowell Parkway for revitalization including a mixed-use node near the intersection of Hollowell Parkway and James Jackson Parkway, that would include a town green, retail, restaurants, a grocery store, mixed-income housing, a farmer's market, public safety office, and post office (LCI Study, 2010, 66).

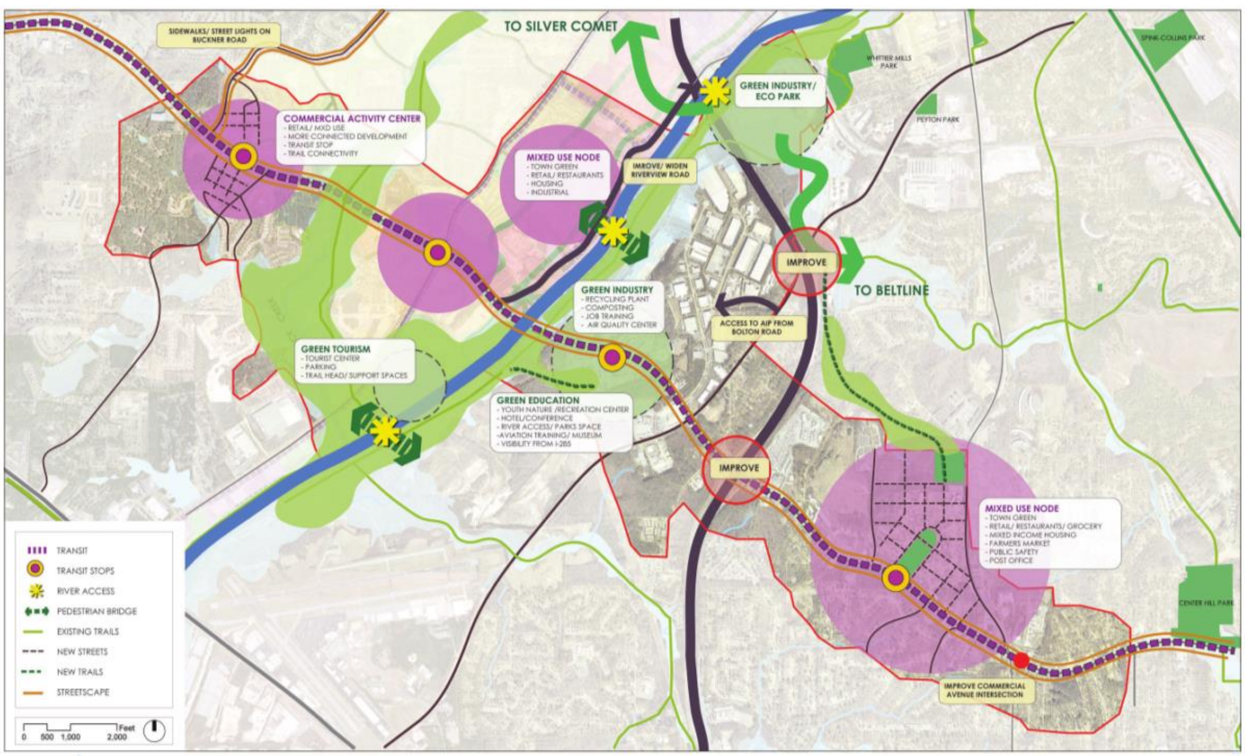


Figure 28. Summary map from the LCI Study Design Workshop identified a mixed-use redevelopment node near Hollowell Parkway and James Jackson Parkway (LCI Study, 2010, 66).

Figures 29, 30. Images of potential mixed-use redevelopment on Hollowell Parkway. On the right is a view of the intersection at James Jackson Parkway (LCI Study, 2010, 75).

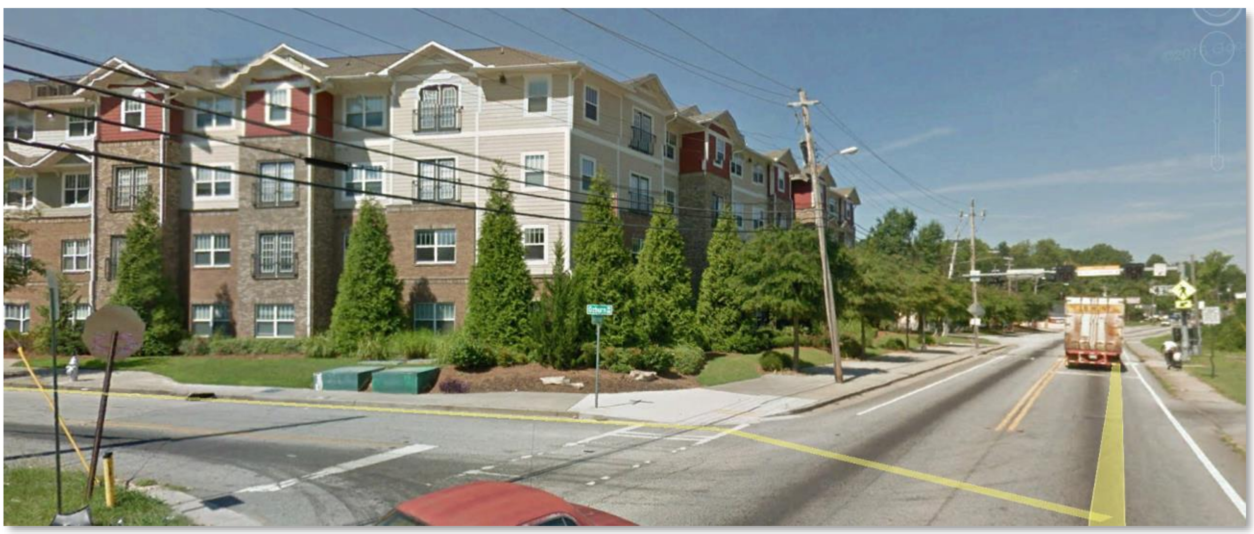


Figure 31. Early redevelopment near the intersection at James Jackson Parkway, a senior's apartment complex. Could this be an indication of more development to come? (Google Earth Pro, August 2016).

The LCI Study identified some strengths, weaknesses, and opportunities for this immediate area, including the opportunity for commercial development along Hollowell between Interstate 285 and the James Jackson intersection, as well as residential development adjacent to this area at the former Bowen Homes site (LCI Study, 2010, 82). Identified strengths include proximity to major urban employment centers, and I-285 access and airport proximity. These provide the opportunity to extend the corridor's market area "beyond standard 'draw areas'" (LCI Study, 2010, 80). There is also the presence of a Tax Allocation District (#8), though verbal comments overheard at the recent Franchise Strategy presentation, made by active community leaders, indicate there is no funding or funding posture currently available to support local improvements (verbal feedback December 6, 2016). Weaknesses identified by the LCI Study include obsolete infrastructure, congested roadways, and unsafe pedestrian and traffic safety, a high number of commercial vacancies, and the difficulty of parcel assemblage, due to multi-ownerships of small fragmented parcels. The LCI Study stated, "[this] will make assemblages for major redevelopment extremely difficult" (LCI Study, 2010, 81).

CRITERIA FOR A NEW FRANCHISE

For a franchise strategy on Hollowell Parkway, the first step is to establish criteria that will lead to finding a franchised business that will support the short-term needs of the community, filling a retail or service gap, as well as enable the potential to provide an anchor and catalyst for sustainable economic output for the long term. A checklist for a targeted franchised business for this community should include the following criteria:

____ Something not available or underserved in this neighborhood
____ Something that allows an inexperienced local entrepreneur a chance to succeed
____ Something that could serve as catalyst and anchor for more businesses in this area
____ Something that can enable a potential healthier lifestyle
____ Something that provides as many jobs as possible
____ Something that provides workers the ability to increase their social skills
____ Something that provides workers the ability to increase their work responsibility skills
____ Something accessible by limited means of transportation
____ Something that can improve access to healthier foods, both geographically and economically
____ Something resistant to an economic downturn
____ Something that can source its inputs locally
____ Something that can capture buying power passing through the community to somewhere else

Considering these criteria and focusing on the need to address a key local retail and service gap affecting the physical health of the residents in the community, it was determined that a supermarket that provided fresh produce and a wider selection of healthier food would have a positive impact on the area. Furthermore, finding a franchise to serve as an economic anchor for other franchised businesses, was also an important consideration. Thus, identifying an appropriate franchise was the first part of a two-part solution for implementing a franchise strategy. The second part was the determination of a site and store configuration, which will meet the selected franchise's operational requirements as well as support the interaction with other franchised businesses selected for this area. These two parts are the key to the success of this overall project, and should be addressed simultaneously.

CHOOSING A FRANCHISE

After reviewing the checklist of criteria and reviewing potential franchises, it was determined that Save-A-Lot Food Stores, which offers a licensed franchise model, will address the identified retail and service gap for groceries, as well as address the need for healthier food options in the community. Its size also provides the potential to serve as an anchor and support and encourage other new franchisees in the area. In addition, Save-A-Lot Food Stores provides a potential draw for passers-by who commute through the community each day and who need to pick up certain grocery items on the way home.

Figure 32. Save-A-Lot targets underserved areas where other grocers either avoid or overlook the business opportunities (Save-A-Lot website).

Save-A-Lot Food Stores is America's third largest grocer in terms of number of units, with over 1,300 individually-owned and corporate stores, located across the U.S. Predominantly located in the Midwest, Save-A-Lot's headquarters is in St. Louis, Missouri.

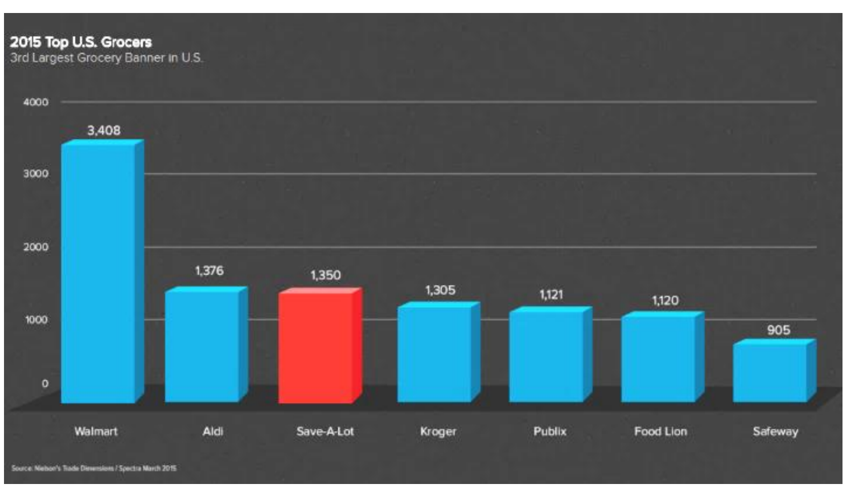


Figure 33. Save-A-Lot is the third largest grocer behind Walmart and Aldi, and slightly ahead of Kroger (Save-A-Lot website).

Figure 34. Save-A-Lot is located from California to Maine and has a heavy presence in the Midwest (Save-A-Lot website).

The Save-A-Lot corporate mission is….

> *"We help our customers to live richer, fuller lives by saving them money and time through a compelling, convenient shopping experience featuring great food, great prices and great people, every day" (Save-A-Lot website).*

The first Save-A-Lot was opened by Bill Moran in Cahokia, Illinois in 1977. He had previously identified and created a unique business model that focused on limiting the assortment of goods offered as a way for a smaller grocer to compete pricewise with "emerging megastores" (Save-A-Lot electronic brochure). His model worked and by 1980, Save-A-Lot had 52 locations. In 1993, Save-A-Lot was acquired by SUPERVALU Inc., and expansion continued to over 1,300 stores today, operating from California to Maine (Save-A-Lot electronic brochure).

WHY LICENSEES CHOOSE SAVE-A-LOT:

- Exclusive brands: High-quality, low-priced assortment accounts for 80% of Save-A-Lot sales.
- Fewer SKUs (stock keeping units): Reduced SKU assortment covers 90% of everyday shopper needs and provides efficient store operations.
- Low prices: Buying power of over 1,300 stores delivers market-leading everyday low prices.
- Neighborhood Stores: Whether in an urban, suburban or rural market, we locate stores in diverse neighborhoods, hire from within those communities and stock product tailored to the neighborhood.
- Shopping experience: Our smaller stores average 15,000 sq. ft. and allow for a quick and easy shopping experience.
- World-class distribution: Best-in-class, dedicated distribution provides our retailers on-time delivery and works aggressively to prevent out of stock items.

Figure 35. Save-A-Lot's ownership pitch (Save-A-Lot electronic brochure).

Save-A-Lot's business strategy is to seek locations in underserved communities that are overlooked or avoided by other grocery retailers, and focus on logistical efficiencies that allow for lower prices. This is accomplished through slightly smaller stores, with lower overheads and a smaller number of SKUs and efficient logistics from central supply warehouses. A portion of goods are also sourced locally from cheaper suppliers. Save-A-Lot maintains flexibility is several areas tailoring products to the preferences of individual communities' cultural and culinary preferences.

A typical Save-A-Lot store employs approximately 15 to 20 people in its local operations, which provides jobs for the local community. With those jobs come experience, social development, and responsibility that can be leveraged for higher employment and responsibilities in the future. The corporate enterprise provides a very robust support and training system to give the local owner every opportunity to get established and succeed in a sometimes-challenging economic environment, especially for an entrepreneur who lacks experience. A discussion of this robust support will be discussed below.

Save-A-Lot uses a licensing model that provides additional flexibility as opposed to a straight franchise model. In a licensing model, the individual store owner signs a license agreement with the licensor to purchase a certain percentage of the licensor's products under the licensor's label. The focus is on the purchasing and selling of goods rather than a strict franchise agreement, which limits the franchisees' flexibility regarding product, trademark, and operations. Using the licensing model, Save-A-Lot does not charge upfront fees, or collect royalties going forward (Save-A-Lot website). Instead Save-A-Lot's logistical network "procures, distributes, and markets carefully selected assortments of high quality food and household" goods that emphasizes their own private label (Save-A-Lot website). It has created a highly efficient distribution network through its licensing model, which enables the company to procure and distribute goods at extremely low and competitive prices for its licensees. The means the licensee can then, in-turn, sell their products at prices appropriate for the markets in which they operate. This results in local customers paying up to 40% less than supermarkets outside their neighborhoods. In-turn, this frees up buying power, which can then be spent at other nearby businesses, if they exist. In this franchise strategy, we will seek to collocate several franchised operations in close proximity to achieve this synergy. In fact, Save-A-Lot prefers to collocate with other discount retailers in a mutually-supportive environment. As will be presented later, this is the approach taken for this project, in conjunction with other members participating in this franchise strategy.

A license allows the licensee to make changes for each market and each store. The licensee can customize products based on demographic preferences, such as for the Hispanic market. The license's flexibility also allows the local owner to choose new construction, or renovate a previously existing retail space. In fact, Save-A-Lot commonly renovates in second and third-use shopping centers, which have a smaller entry cost and which supports their underserved market targets and overall low price strategy (Allen interview, and Save-A-Lot website, 2016).

While there is flexibility in the choice of store implementation method and market, there are also a few ways in which Save-A-Lot is stricter in their licensing agreement. This includes certain operational controls and appearance of the stores, though the biggest is the display and protection of the corporate trademarked signage (Allen interview, 2016).

Mr. Roy Allen is Save-A-Lot's Southeast Development Manager, based near Nashville, who provides many excellent points for how a Save-A-Lot store is set up and operated. Beyond often being the only large grocery player in some markets, Save-A-Lot's main competitive advantage is its low prices (Allen interview, 2016).

STORE OPERATIONS

Currently, there is a corporately-owned Save-A-Lot at 854 Oak Street SW, just south of I-20 and approximately 4.5 miles from the proposed market area on Hollowell Parkway. This store maintains operating hours of 8:00 AM to 10:00 PM, Monday to Saturday, and from 9:00 AM to 8:00 PM on Sundays. The typical store has from 15-20 employees, who can cover this 14-hour daily time period in appropriate shifts.

A typical location can operate for a very long time, often 35 years or more. A main reason for the need to relocate a store is Walmart. Mr. Allen indicated, "It really takes something to change the location" (Allen interview, 2016), but sometimes a Save-A-Lot store must reposition within a market, especially in more rural areas, due to what they call the "Walmart Effect." This occurs when Walmart relocates from the opposite side of town. Walmart is one of Save-A-Lot's closest competitors and Save-A-Lot must ensure they remain at a safe market-distance to remain competitive. An interview with a local store manager indicates that Save-A-Lot aggressively price compares with both Walmart and Piggly-Wiggly on a regular basis to ensure Save-A-Lot stays one step ahead. In the Hollowell Parkway area, this threat should not be a problem, at least until the franchise strategy has successfully accomplished its purpose of revitalizing the Hollowell Parkway corridor.

Mr. Allen noted that Save-A-Lot tends to survive in locations where general merchandisers do not, because of regular return shoppers. Save-A-Lot tend to be located in small shopping centers with three to four co-tenants.

Save-A-Lot's distribution system generally provides 70% of a local owner's supply of goods that are sold in the store. Exceptions are items sourced locally, such as soft drinks, bread, and alcohol, and if the owner finds lower cost products, he or she may source them locally as well. Save-A-Lot's business strategy limits the number of SKUs carried, which creates logistical efficiencies, and enables the ability to compete on price with larger stores such as

Walmart. It also allows for slightly smaller stores than other mainline grocers. Save-A-Lot typically carries 90% of what most consumers normally purchase.

The Save-A-Lot system typically supplies owners at the best cost available, but if the owner can find a cheaper supply, it allows for buying elsewhere. Management does believe in buying locally if it makes the most sense, such as for Georgia peaches (and not the typically cheaper California peaches), or watermelons, or other items that might be available locally. Overall, buying through the Save-A-Lot distribution system saves the owner from being tied up serving as his or her own buyer (Allen interview, 2016).

As for sustainability, every product has to go through stringent guidelines, especially for stores in the Caribbean. Many stores are converted from second- and third-use existing shopping centers. As for input-sourcing, there is a team at Save-A-Lot's headquarters that evaluates all products to ensure they are comparable and sourced in environmentally-friendly ways. Finally, Save-A-Lot seeks to ensure that workers in the product source locations are not exploited (Allen interview, 2016).

SAVE-A-LOT MARKET AND SITE REQUIREMENTS

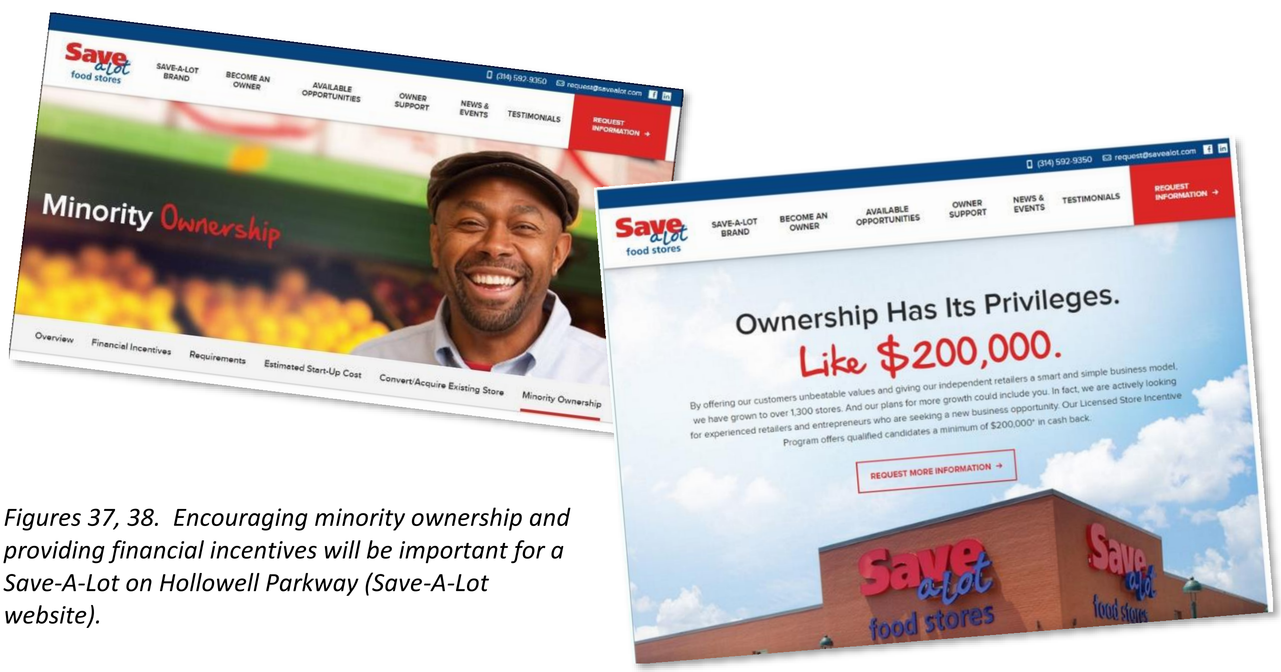
The Save-A-Lot business strategy is to target underserved markets that other grocers avoid or overlook, which is the case for the Hollowell Parkway corridor. In addition, Save-A-Lot seeks the following market and site requirements for their stores:

___ 35,000 population in primary trade area (20K rural)
___ Target economically-challenged demographics that appreciate the lower prices
___ High percentage of families with children
___ Prefers the "Go home side of the street"
___ Prefers co-tenancy with other value-oriented retailers
___ Requires a receiving area for 53-ft semi-trailers
___ Needs excellent lines of sight, good ingress/egress for vehicles into parking lots
___ Good with both freestanding or inline store locations
___Typical store 12,000 to 18,000 square feet (15,000 SF average)

Figure 36. (Save-A-Lot website).

FINANCING A SAVE-A-LOT

The startup eligibility for a prospective Save-A-Lot owner is $1 million in net worth, and $300,000 in available capital. It is assumed that a prospective owner for a Save-A-Lot location along Hollowell Parkway will not have this kind of net worth or capital. Save-A-Lot has much experience in supporting this situation, especially for prospective minority owners in economically-challenged neighborhoods. Save-A-Lot likes the community connections available through a minority owner and actively encourages and supports this type of arrangement. Save-A-Lot often works closely with a financial consultant, *Acquiring Resources, to* builds strategies for grants, SBA loans, government incentives, and other locally available assistance. In addition, Save-A-Lot offers $200,000 in incentives (or more), to support a positive cash flow for the first two years (Allen interview, 2016).



Figures 37, 38. Encouraging minority ownership and providing financial incentives will be important for a Save-A-Lot on Hollowell Parkway (Save-A-Lot website).

Save-A-Lot does not provide any financing from its own accounts. Instead, they work very closely with variousfinancing institutions such as these:

Figure 39. From the "Opportunity Is In Store: Become a Save-A-Lot Owner" (Save-A-Lot ownership brochure).

Save-A-Lot prospective owners qualify for expedited processing for loans made through the Small Business Administration's Franchise Registry (Save-A-Lot ownership brochure).

As for the financial costs of construction, the rough estimates will depend upon the type of construction pursued. One option would be to construct at the lowest cost per square foot possible, knowing that in the event this franchise strategy leads to enough economic activity to support the mixed-use redevelopment envisioned by the 2010 LCI Study, then this shopping center could be demolished and reincorporated into a larger master plan. The other option would be to press ahead with concrete construction for a one-story shopping center, upon which additional stories, constructed in wood, could be added later. There is much precedent for this type of construction in the Atlanta area, even in Midtown. Most mixed-use commercial topped by multifamily residential is constructed this way. There are two drawbacks. First, this type of construction would mean a commitment to retain or adapt the proposed shopping center footprint into any new mixed-use scheme. Second, the upfront hard construction costs will be higher (assuming the soft costs will be similar except for a percentage escalation). A developer for the shopping center will need to be committed to this higher upfront cost. For the first option, using a very rough estimate of $80 per square foot for hard costs, the construction cost for the 18,000-square foot Save-A-Lot would be $1.4 million. For the second option, using a very rough estimate of $130 per square foot for hard costs, the construction cost would rise to $2.3 million. The difference in hard costs would be even greater when taking into account the remainder of a proposed shopping center. For a 47,500 square feet total shopping center, to include the Save-A-Lot, the cheaper hard construction costs would be in the

$3.8 million range, while the more permanent hard construction costs could be in the range of $6.2 million. There are additional soft costs to consider which will add approximately 25% to each of these numbers, such as for design, site work, marketing and construction management (Haddow class, 2016). The shopping center developer could seek to use the available tools discussed in Part I to assist with financing.

For the local Save-A-Lot owner, it is estimated by the company that equipment, computers, and other start-up costs could range from $600,000 to $1.45 million (Save-A-Lot website). These start-up costs will need to be considered in an overall costing scheme, but fortunately, Save-A-Lot can use their consultant to establish the best financial package for the individual owner, and the owner can also seek to leverage the many local, federal, and state tools to support a business investment in this corridor.

An alternative strategy, which could eventually lead to a licensed ownership within the community, would be to work with Save-A-Lot to develop a corporately-owned store in the neighborhood, getting it firmly established with a dedicated customer base and steady positive cash flows, and then to sell the mature store to a local entrepreneur. Mr. Allen stated that the company recognizes that some costs in urban areas are much steeper than rural areas, and require a higher upfront investment to develop. He said Save-A-Lot has no problem with opening up a corporate store, and then selling it to a licensee (Allen interview, 2016). In fact, the closest Atlanta store, just south of I-20 near downtown, is currently a corporate-owned store (manager interview, 2016).

The next financial considerations are the projected revenue, cost of supplies, and bottom line profit. Mr. Allen indicated that Save-A-Lot estimates that an average of 4,100 customers visit a typical store each week. These customers typically spend $24 during each visit. To build up that customer base at a new store, he indicated studies show it takes seven to eleven visits for a customer to consider a store their primary shopping destination. He said that success is primarily dependent on two main things: 1) fresh meat, and 2) fresh produce. Both must be offered consistently to contribute to the store's positive reputation throughout the community. Save-A-Lot spends time and effort to overcome any negative perceptions. The following chart provides a revenue and cost scenario for a typical Save-A-Lot store, adjusted for slightly more conservative numbers:

Save-A-Lot Projected Revenues, Costs, and Bottom Line

(starting numbers and percentages provided by Mr Roy Allen, Southeast Development Manager)

Typical Customers per Week:		4,000
Average Spending per Customer:		$24
52 Weeks/Year:		52
Gross Annual Projected Revenue:	**$**	**4,992,000**
Major Operating Costs:		
Overhead Supplies at 1.5% of sales	$	74,880
Labor at 7.5% of sales	$	374,400
Utilities at 2% of sales	$	99,840
Lease Costs at 2.25% of sales	$	112,320
Total Operating Costs:	**$**	**661,440**
Revenue MINUS Operating Costs: (Rev-OP)	$	4,330,560
Cost of Goods (Low End):	$	4,070,726
Cost of Goods (High End):	$	4,243,949
BOTTOM LINE		
High-End Profit at 6% of Rev-OP	**$**	**259,834**
Low-End Profit at 2% of Rev-OP	**$**	**86,611**

Conservatively reduced from quoted 4,100 customers per week (typical)

High-End profits generated when spoilage/loss of perishable items minimized*
Low-End profits generated due to excessive spoilage/loss of perishable items*

* Perishable items/spoilage typically Meat and Produce

Figure 40. Projected revenues, costs, and profits (Allen interview, 2016).

A lot of the success of a store, beyond obtaining the necessary customer base, will be the management of spoilage and perishable items, which can constitute a major factor in the bottom line. Providing fresh meats and fresh produce is one of the main factors for making a grocery store a success. These are both typically high margin items, and meat drives sales of other products in the store (Allen interview, 2016).

SAVE-A-LOT SUPPORT FOR NEW OWNERS

Save-A-Lot recognizes the challenges for inexperienced owners to operate in tough economic environments and has designed a very robust support system to ensure owners have every chance to succeed. Additional services provided to owners include basic accounting services and Information Technology (IT) support, which is provided at a reduced cost, or no cost in the first year. Furthermore, Save-A-Lot provides a strong incentive package to help ensure new owners maintain a positive cash flow for the first two years. In exchange, the owners agree to abide by their licensing agreement and purchase a minimum Purchase Concentration Rate (PCR) from the Save-A-Lot distribution system, typically 66% to 72% of total purchases made for a particular store (Allen interview, and Save-A-Lot website, 2016).

In addition to incentive packages for the early years, Save-A-Lot provides real estate services, and shares best practices in acquiring real estate and finding space to lease. Save-A-Lot has a store design and planning team that can help an owner lay out his or her store in the most efficient patterns, detailing interior finishes, and tailoring designs to work with second and third-use locations, in addition to building new.

Perhaps the biggest area of support is training. Save-A-Lot provides a myriad of training options, including an initial 12-day course for new owners that, "that will provide…an overview of the operations of a Save-A-Lot food store. The program includes classroom and in-store training" (Save-A-Lot website, 2016). The company even provides follow-on training for owners and managers. Other support includes advertising services, new store support, risk planning, and accounting services, some of which may require an additional fee.

To support local owners' ongoing operations needs, Save-A-Lot provides licensed retail district managers, who can help local owners with such things as, "best practices for business improvements, counsel, advice and assistance with proper merchandising techniques, pricing and competition price checks, assist with perishable and category resets," and several other items to support the owner. They also reinforce the Save-A-Lot image, and ensure retailers adhere to Save-A-Lot's operational standards and licensing agreements (Save-A-Lot website).

Save-A-Lot services their local owners with an efficient network of 17 distribution centers; the closest to Hollowell Parkway is in Macon, Georgia (Save-A-Lot website).

Finally, Save-A-Lot offers public relations support, including media relations, press releases, and work with local radio and television stations. The corporate support team also helps local owners with crisis situations such as natural disasters or major criminal activity, and even product recalls. Finally, the team provides support for such things as ribbon cuttings for the grand opening of new stores (Save-A-Lot website, 2016). Taken together, an inexperienced local owner of a Save-A-Lot licensed store will not be without a strong support network that can help address any issue that may arise. Leveraging a large licensed franchisor like this one will certainly contribute a successful, long-term franchise strategy on Hollowell Parkway. This long-term success is crucial, as the franchise strategy could lead to lead to larger-scale revitalization well beyond the confines of these initial plans.

DESIGNING THE STORE

With a site selected, and a determination that a shopping center configuration will be mutually beneficial for both new franchisees and the local community, attention is now focused toward the design of a new Save-A-Lot store. The typical size requirements call for a 12,000 to 18,000 square foot store, with five parking spaces per 1,000 square feet of floor space. The selected site can accommodate an 18,000-square foot store, which will require a total of 90 parking spaces. A review of the City of Atlanta's Code of Ordinances for parking indicates a minimum of one parking space for each 200 square feet of floor area (Atlanta Code of Ordinances, Sec. 16-11.010). For an 18,000-square foot store, this would match the 90 parking spaces previously determined. Another calculation that Save-A-Lot uses to determine the amount of parking needed operationally is to provide six parking spaces per $10,000 in sales per week. We earlier estimated that 4,000 people make visits per week and spend $24 on each trip. At $96,000 spent per week, this would equate to a need for only 58 parking spaces operationally, so the code requirement of 90 spaces is the number we will use. Parking construction costs are roughly estimated at $3,000 per surface space, so 90 spaces would cost $270,000.

Turning attention to the building itself, Save-A-Lot typically tailors their buildings to local conditions. In an existing building situation, their philosophy is, "let the building be the building" (Allen interview, 2016). Save-A-Lot has a standard design for new construction and a full design team at the St. Louis headquarters that can help with any design questions or concerns. The most stringent aspect will be the signage, as Save-A-Lot's branded look is the most important visual part of the store. Mr. Allen indicated that the biggest zoning issue that Save-A-Lot deals with concerns signage, and customized signs are allowed to address zoning limitations. Other issues affected by zoning include parking, delivery, ingress, egress, and customization of delivery times, including when tractor-trailers are restricted (such as for quiet hours).

Depending on the real estate and construction timelines, Save-A-Lot estimates the time to get a store operational will take about six to twelve months (Save-A-Lot website).

Figures 41, 42. Storefronts in Birmingham, Alabama, and Atlanta, Georgia (photos by Mark Sloan).

Figure 43. Elevations for a standard design (provided by Save-A-Lot, Mr. Allen).

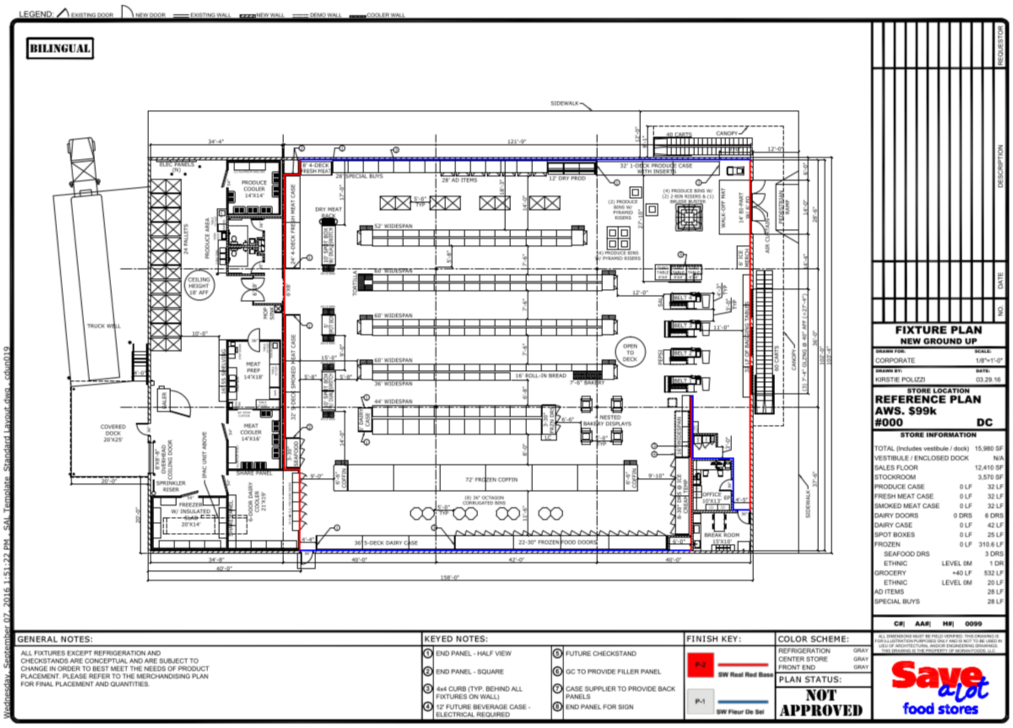


Figure 44. Plan for a standard design (provided by Save-A-Lot, Mr. Allen).

Following the successful operation of a store for a few years, Save-A-Lot encourages its owners to perform a periodic refresh. There are no absolute rules, but they do encourage owners to refresh signage and paint every seven years. Save-A-Lot will work with owners on refreshes as required. They realize the need to stay frugal in this segment of the industry (Allen interview, 2016).

WHAT'S IN STORE?

The following images come from visits to Save-A-Lot stores in both Atlanta, Georgia, as well as Birmingham, Alabama. Both stores were well-stocked with meats and produce, which addresses a key need for Hollowell Parkway. All images in this section were taken by the author (Mark Sloan).

Figures 45, 46, 47. The Save-A-Lot store provides an anchor for the shopping center, and will pull drivers through the site, gaining exposure to the other franchised storefronts (design and layout by the Mark Sloan).

Case Study #2

Franchise #2: PEARLE VISION OPTICAL WEAR by Kevin Mara

Health Care Franchising along Donald Lee Hollowell Parkway

This case study is part of a series exploring multiple franchise opportunities that have the potential both to fill gaps in the goods and services available to the residents living along Hollowell Parkway and to spark additional economic development. Among the key criteria in selecting appropriate franchises for the parkway were attracting products and services that both would be affordable to the local market and would not duplicate or directly displace existing businesses. This case examines healthcare-related franchises and their suitability for the parkway.

Corridor and Siting Considerations

Donald Lee Hollowell Parkway (US-78) is a four-lane urban transportation corridor that runs through northwest Atlanta, connecting Midtown to the Perimeter Highway and Cobb County. A variety of land uses exist along its approximately 6-mile length, including single-family housing, multi-family housing, medium- and low-density commercial, and industrial properties, and well as many vacant spaces. The corridor is served by one MARTA heavy-rail transit station in the Bankhead neighborhood and MARTA bus service. The neighborhood is economically depressed, and many of the structures along the route are vacant, dilapidated, or otherwise in need of renovation. The zip codes surrounding the parkway have an average population density of 2,917 people per square mile (Bureau, 2014), which is somewhat lower than the citywide density of 3,362 people per square mile (Kahn, 2015). High crime rates, blight, and other real and perceived challenges of locating businesses within low-income communities have resulted in chronic disinvestment in the neighborhoods along Hollowell Parkway. However, opportunities may exist to bring franchises to corridor that create a more diverse business mix and provide goods, services, and employment opportunities that are beneficial for the surrounding neighborhoods.

Figure 48. Map of the western portion of Hollowell Parkway (Sizemore Group, 2010).

The parkway is the primary commercial corridor for the northwestern quadrant of the city and a variety of businesses are already located there. Small restaurants, gas stations, and auto repair shops predominate, but larger retailers that target low-income markets, like Family Dollar and Buy Low, are the main providers of consumer goods for area. Most businesses appear to be independent – in that they are neither a corporate chain nor a franchise – but some franchises have chosen to locate along Hollowell Parkway. Based on casual observation, these franchises are nearly all fast food restaurants. A Burger King occupies a prime parcel at the intersection of Hollowell Parkway and Highway I-285, and Checkers and Church's Chicken appear to the east. A Jackson Hewitt tax preparation office and a Cash America Pawn shop are also present along the corridor.

This case is considering a healthcare franchise that would be included in a hypothetical community retail development on the western segment of the corridor. The development aligns with the 2006 Atlanta Development Authority (d/b/a Invest Atlanta) Hollowell/M.L. King Redevelopment Plan, which calls for an activity node near the intersection of Hollowell Parkway and James Jackson Parkway, a north-south corridor route (Atlanta Development Authority, 2006). It would be sited at 2751 Hollowell Parkway, with access points on both Hollowell and James Jackson. This siting makes the businesses more convenient, potentially capturing north-south as well as east-west traffic. Several other franchises are being considered for this hypothetical development, including a fast-casual restaurant, a shipping and business services provider, a coffee-donut shop, and a value-oriented grocery store.

Benefits of a Combined Retail Center Strategy

1. Improved security
2. Separation from nearby blighted or vacant structures
3. Creates a sense of destination and retail synergies
4. Improved visibility and access from the parkway
5. Establishes a critical mass of activity, from which new developments can expand
6. Access to funds for large-scale projects, like TAD funds or NMTC

Agglomeration may be beneficial to the proposed franchises for several reasons. First, security is a concern along Hollowell Parkway. Collocating in one center enables the businesses to pool their resources towards shared security services and achieve economies of scale, rather than each having to pay for it on their own. Such a center would have security systems, personnel, and lighting that would be expensive to provide individually. Second, having a shopping center that is somewhat separate and self-contained mitigates the negative aesthetics of vacant or dilapidated buildings on the parkway, and would not require potential customers to park or walk near them in the way a smaller, separate building would. Third, bringing together multiple businesses in one location creates a critical mass of activity that can be self-reinforcing. Establishing 2751 Hollowell as a destination with a variety of commercial offerings brings more people to that place, making it feel safer. It can also create synergies through convenience: sales in anchor tenants like the grocery store can drive sales for other tenants, or activity in the business services franchise can be complimentary to the coffee shop. A fully-leased shopping center can also serve as a node from which other development can spread as new entrepreneurs attempt to benefit from these same agglomeration effects. Fourth, the higher-profile development may make it more likely that drivers along the corridor will notice the businesses and want to stop in. How drivers interact with the road itself is important: Hollowell Parkway is a loud, high-speed, four-lane highway. This diminishes both the driver's awareness of his or her surroundings and willingness to interact with those surroundings, yet capturing income from commuters will be crucial to a franchise's success. A larger building and the signage associated with the shopping center may better grab drivers' attention. Drivers may also be unwilling to navigate small parking lots accessed directly off the highway without a deceleration lane (Leland Consulting Group, 2007). Finally, many sources of public subsidy for real estate projects are restricted to fund only larger-scale projects. In particular, the City of Atlanta limits Tax Allocation District (TAD) funding and New Market Tax Credit allocation to projects that cost at least $5 million (City of Atlanta, 2012). Use of these tools does not preclude other public assistance, like low-interest small business loans, and the cost savings they generate can be passed on to assist tenant businesses.

Healthcare Franchising Trends and Unique Issues

Healthcare businesses were early adopters of the franchise model, with the first franchise pharmacy, Rexall, founded in 1901. At its pinnacle in 1958, Rexall had more than 11,100 stores – this is more than double the size of the current market leader, CVS (Gilliand, Kirsch, and Siebert, 2014). Healthcare and medical franchise businesses are currently expanding, growing at a rate of more than 10% annually between 2008 and 2013. The current market supports business format franchisors, such as providers of primary care, home healthcare, pharmacies, and optical products and services, as well traditional franchisors selling medical products and healthcare equipment (McKinney, 2015).

As healthcare costs continue to rise for much of the population, entrepreneurs are seeking to profit by creating faster, more efficient, and more affordable ways to deliver quality service. Recent estimates project that healthcare spending in the U.S. will reach $4.5 trillion, or almost 20% of GDP, by 2019. The aging of the Baby Boomer generation is adding particular stress to the healthcare system, and will take up a greater proportion of medical resources in the coming decades. This means that the ability to serve more patients more flexibly and with fewer overhead costs will become an important challenge for medical personnel. Franchising may help relieve some of these pressures, increasing access to and the convenience of medical services. Routine medical procedures can be easily performed by nurses or physician's assistants outside a hospital setting (Daley, 2014). As a result, these sorts of medical professionals are in increasingly high demand despite already large workforces (U.S. Bureau of Labor Statistics, 2016). Nonetheless, it can be difficult to attract talent to these businesses, particularly highly trained healthcare professionals who may associate franchising solely with fast food and have little opportunity learn about franchising. Start-up costs can also vary greatly, from under $50,000 to more than $600,000, often depending on how much equipment is required and if the equipment is leased or bought (McKinney, 2015).

Another potential drawback to healthcare franchising is the legal complexity of the healthcare field. Medical franchises must be accountable to many laws that do not apply to other types of franchise businesses. These include laws governing physician self-referral, fee splitting, HIPPA, Medicare Anti-Kickback statutes, corporate practice of medicine, and other matters. Legal experts in applying these laws to franchising are scarce – fewer than a dozen nationwide (Quinland, 2012).

The law firm Gray, Plant & Mooty provides a brief overview of changes in healthcare franchising over time. The first healthcare franchises focused on creating revenue through product sales. Prevented from collecting royalty on services by the corporate practice of medicine doctrine, which prevents business entities not owned by a physician from practicing medicine or employing a physician to do so, these franchises oriented their business models around collecting a percentage of sales of related products. Early adopters of this model were Rexall, Miracle-Ear (selling hearing aids), and Pearle Vision (selling glasses and accessories). A second wave of healthcare franchises arose in the 1990s, offering non-medical senior care. Barriers to entry into this industry are low and services are relatively undifferentiated. As a result, more than 14 different home care companies franchised between 1995 and 2010. In the 2000s, entrepreneurs began experimenting with new franchise structures that enable them overcome the barriers of the corporate practice of medicine doctrine to provide direct medical services without a corresponding product. In some cases, these consist of franchises that manage medical practices. However, these new forms of healthcare franchising continue to evolve and their complexity has thus far prevented their widespread adoption (Gilliand, et al., 2014).

Healthcare Franchise Candidates for DL Hollowell Parkway

Inner-city communities are struggling to improve access to healthcare, which is considerably lower for low-income and minority individuals than for the rest of the population. Large gaps in access to a regular source of care, the receipt of preventative care, and delays in obtaining needed care for these groups coincide with higher morbidity and hospitalization rates Despite gains in insurance coverage under the Affordable Care Act, issues of healthcare access and affordability persist (Anderson, et al., 2002; Devoe, et al., 2007).

Some healthcare resources exist along Hollowell Parkway, but there continues to be a need for additional services. Existing resources include the Good Samaritan Health Center, a nonprofit clinic that provides primary medical and dental care, a pharmacy, prenatal care, and mental health counseling (Good Samaritan Health Care Center, 2016). The Asa Yancey Health Center, a primary care branch of the Grady Hospital network, is also located on Hollowell Parkway, near the Bankhead MARTA train station. However, specialized services are lacking in the neighborhoods along the corridor.

Initial Concept: BrightStar Care Home Health and Healthcare Staffing

This case study began by examining BrightStar Care as a potential franchise business to locate along Hollowell Parkway. The franchise provides skilled healthcare staffing, primarily for adult and elder homecare, but also for healthcare facilities like hospitals, labs, and nursing homes. BrightStar Care was founded in 2002 and by 2012, it was one of the fastest-growing companies in the nation with over 300 locations. While initially promising, it is not recommendable for Hollowell Parkway.

Multiple factors made the homecare and medical staffing franchise attractive for a site along the parkway. The remote nature of the business would have meant that its success did not rely on attracting customers to its location in a troubled neighborhood. Siting the office on a major transportation corridor would allow BrightStar Care workers to easily access multiple sub-markets from a relatively centralized location. While this might do little to directly bring activity to the neighborhood, it would have created employment opportunities while side-stepping some of the challenges associated with low-income markets. Parking availability and the quality of surrounding buildings would not have mattered as much as with a traditional storefront. Additionally, the franchise also seeks to place workers with multiple skill levels, providing opportunities for skilled nurses as well as lower-skill workers providing personal and companion care. Admittedly, home health aides are not highly paid. At $10.56, the national mean hourly wage is just over that for fast food workers ($9.34) (U.S. Bureau of Labor Statistics, 2015).

However, barriers to entry are low and the middling quality of the jobs are offset by greater potential employment overall. BrightStar Care's prospects for providing employment opportunities to local residents is not limited to what a single store or the neighborhood market will bear, but based on demand within a much larger geography. Moreover, the outlook for businesses serving aging populations is positive: the U.S. Administration on Aging projects that people over 65 years old will grow from approximately 12% of the population in 2010 to 20% by 2040 (Morken, 2012). The senior share of metro Atlanta's population increased faster than any other place in the nation from 2010 to 2014, rising 20.3% (Kotkin, 2016).

Unfortunately, two complicating factors make siting a BrightStar Care franchise along Hollowell Parkway infeasible. Primarily, BrightStar Care already has several franchises in metro Atlanta, including one in the urban core (See Appendix, Figure 8). The franchisor limits each franchisee to a protected market encompassing between 200,000 and 250,000 people, defined by zip codes. The northern suburbs and the east side of Atlanta are spoken for, leaving only the significantly poorer western and southern neighborhoods. Additionally, long-term home care is not covered under Medicare (U.S. Administration on Aging, 2016). While home care may be a significant need as America's population ages, it unlikely that a large percentage of residents would be able to afford BrightStar's services in the remaining available markets. A business cannot survive without a viable customer base.

Current Proposal: Pearle Vision Eye Care

Healthcare franchise options that would provide services within the Hollowell Parkway corridor should not duplicate or displace assets that are already in those neighborhoods. The primary healthcare resource along Hollowell Parkway is Good Samaritan Health Center, which provides relatively comprehensive primary care services. However, it provides little in the way of specialized medical care, with volunteer specialists seeing patients on only a limited basis. In this light, a specialized medical service could be appropriate. Such healthcare franchises include physical therapy practices, chiropractors, massage services, and podiatrists ("Health Care Franchises," 2016). However, one of the most common are optometrists. There are no eye care businesses or optometrists currently located along the parkway, and very few on the west side of the city generally (see Appendix, Figure 7), suggesting both a need for eye care services and a market opportunity for an early mover. In this case, Pearle Vision Eye Care may be a good franchise candidate.

Pearle Vision Eye Care was among the first healthcare franchise businesses. Founded in 1961 in Savannah, GA, it began franchising in 1980, and its 36 years of experience gives it the longest record in optometric franchising. The business is currently owned by Luxottica Group, one of the world's largest eyewear manufacturing and retail companies, and includes both franchises and corporate-owned stores. The Pearle Vision concept combines revenue from medical services provided by an optometrist and retail sales of glasses and other eye-wear accessories, leveraging the convenience of collocating these products and services to create value. Pearle Vision franchises may be owned by an optometrist, a licensed optician, or by a regular business owner who leases space to an independent optometrist's practice. About 75% of revenue in a Pearle Vision comes from retail sales. As a franchisor, Pearle Vision identifies its competitive advantages in excellent customer experience and quality medical care. It markets itself as a premium provider and does not seek to compete with low-cost rivals by reducing prices or levels of service ("Franchise Executive Summary," 2016).

The market for eye care services and accessories is robust. A market study commissioned by an industry group found that in 2012, 198 million Americans wore glasses or other vision corrective devices and optometrists performed 94 million eye exams. It estimated U.S. primary eye care market at roughly $31 billion that year (*The State of the Optometric Profession: 2013*, 2013). Pearle Vision sees opportunities to expand with a growing customer base nationwide as the American population ages, with corresponding increases in the need for eye care. It also claims that more employers have begun providing vision coverage as part of their benefits packages, which likely increases the rates at which adults seek out regular eye care. Furthermore, eye care is a relatively inelastic product, which may insulate the business from the effects of the business cycle. Franchisees may adjust their retail operations to offer higher- or lower-priced products based on market conditions, but the ability to see clearly is not a luxury. Eye care franchising also differs from homecare franchising in an important way: Pearle Vision accepts both Medicare and Medicaid for its services, and customers can use tax-deductible flexible spending accounts to pay for eye care. The franchise arrangement allows opticians and optometrists to accept a much wider range of vision insurance plans than independent offices (Pearle Vision, 2016).

Pearle Vision is targeting the southeast as a growth market ("Franchise Executive Summary," 2016). Its parent company Luxottica has located its distribution center for North America in McDonough, Georgia, and in 2015 began a project to more than double the size of the facility (Allison, 2015). Additionally, Pearle Vision began a strategic expansion of its franchising in 2010. With 515 total locations in the U.S., Pearle Vision has reduced its overall footprint from its peak of 916 locations in 2007, but is attempting to increase the number of franchised units as a percent of total locations (Figure 49) ("Company Profile: Pearle Vision," 2016).

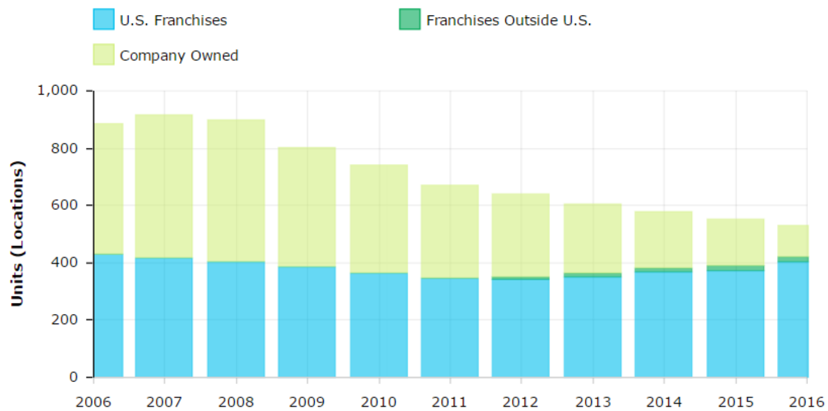


Figure 49. Number of Pearle Vision Stores, 2006-2016 (Entrepreneur)

To purchase a Pearle Vision, the franchisor requires potential franchisees to have \$100,000 in liquid capital and a net worth of \$300,000. The total startup costs for a Pearle Vision range from \$410,000 to \$622,000, including the initial franchise fee of \$30,000. See Appendix, Table 2 for a full breakdown of start-up costs. Royalty fees are significant, with ongoing royalties and advertising fees amounting to 15% of retail sales. However, this may be offset somewhat for optometrist-owned franchises as legal provisions prevent Pearle Vision from taking royalties on medical eye exams. The company reports that an average optometrist-owned store generates approximately \$1.1 million in annual revenue. An optician- or investor-owned store, which includes space leased to an independent optometrist, nets less annual revenue at \$785,000, but still provides over \$100,000 in owner income ("Franchise Executive Summary," 2016).

Pearle Vision's siting requirements are flexible and the real estate demands are not exorbitant. Stores require approximately 2,875 square feet for retail space, exam space, and lab space, and do not need more than a few dedicated parking spaces. Pearle Vision emphasizes high-quality store-front presentation that attempts to attract traffic with curb appeal ("EyeCare Center 1.0," 2016). Such attention to detail would be beneficial in counteracting the existing perception of businesses along the parkway.

Beyond the provision of healthcare services, optometric franchising is attractive opportunity for Hollowell Parkway because it provides living wage jobs with strong potential for advancement. The average Pearle Vision employs between 4 and 8 people full-time, including an optician, a store manager, lab techs and lab managers, and optometric assistants, in addition to the store optometrist. Barriers to entry into optometric employment exist, but are not insurmountable. In general, the required training provides an accessible route to well-paying work. Georgia requires opticians to be licensed by the State Board of Dispensing Opticians. The completion of a one- to two-year degree in Opticianry is a prerequisite for licensure, and optician programs are offered at many technical colleges (Georgia Office of the Secretary of State, 2012). Demand for licensed opticians significantly outweighs supply, and opticians in Georgia can make a decent starting wage of $16 per hour and $35 per hour as a store manager (Merriman, 2016).

Pearle Vision franchises do carry some downsides that make them less suitable for economic development purposes. First, the franchisor prefers to site stores in locations that emphasize local shopping and encourage the sense that they are a neighborhood healthcare provider. Pearle Vision's franchise materials state: "We want to be the eye care retailer down the street, owned and operated by your local OD professional." All other Pearle Vision stores in metro Atlanta are part of either regional malls or strip shopping centers, suggesting that the success of the franchise on Hollowell Parkway would depend heavily on the success of the proposed shopping center as a whole. While the high corridor traffic is seen as beneficial, Hollowell Parkway's lack of a "sense of destination" would make it less attractive to Pearle Vision. In the absence of a shopping center in which to locate, it is unlikely that the franchisor would permit a store to locate on the parkway.

Second, Pearle Vision supplies customers with a geo-targeted system for making appointments online. Customers tend to use these systems to search around origins or destinations, not along routes. This may be at odds with the corridor concept. Finally, options to increase the neighborhood effects of the franchise through local sourcing are limited. All eye care supplies are automatically replenished through the Luxottica supply chain and Pearle Vision franchisees purchase goods like office supplies through national accounts with major retailers like Staples (Merriman, 2016).

Recruiting the right franchisee will be key to bringing a Pearle Vision to Hollowell Parkway. The franchisor's personal asset requirements likely mean outside rather than local ownership. There are no apparent resources to reduce the cost of opening a Pearle Vision franchise; Pearle Vision itself does not offer programs that attract minority owners or incentivize locating in low-income areas. A review of eye care-related philanthropy shows that these resources are typically directed at non-profit organizations, offer free services, or focus on the developing world (American Academy of Ophthalmology, 2016; Eye Foundation of America; Healthcare Georgia Foundation, 2016; The American Optometric Association, 2016). This includes the Luxottica Group's charitable OneSight Foundation, which provides eye care oversees, but does not work in the United States (OneSight, 2016). Identifying a non-profit owner for the business might be an alternative means of mitigating the capital requirements of the franchisor.

Case Study Supporting Data

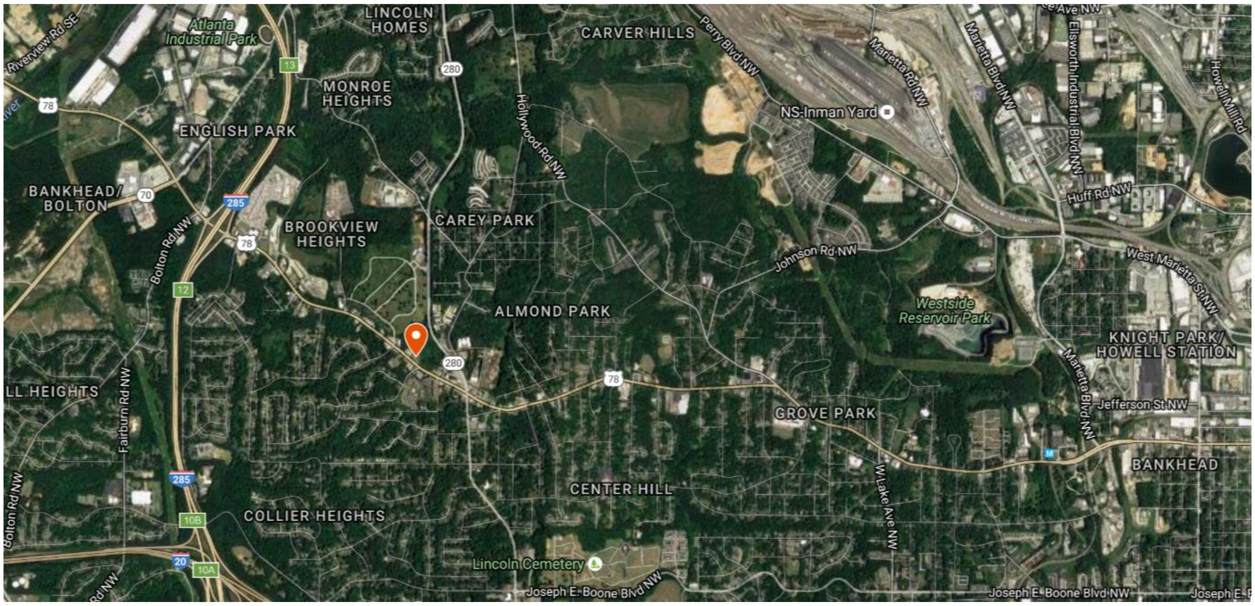


Figure 50. Neighborhood Context of Hypothetical Retail Site (Google Maps).

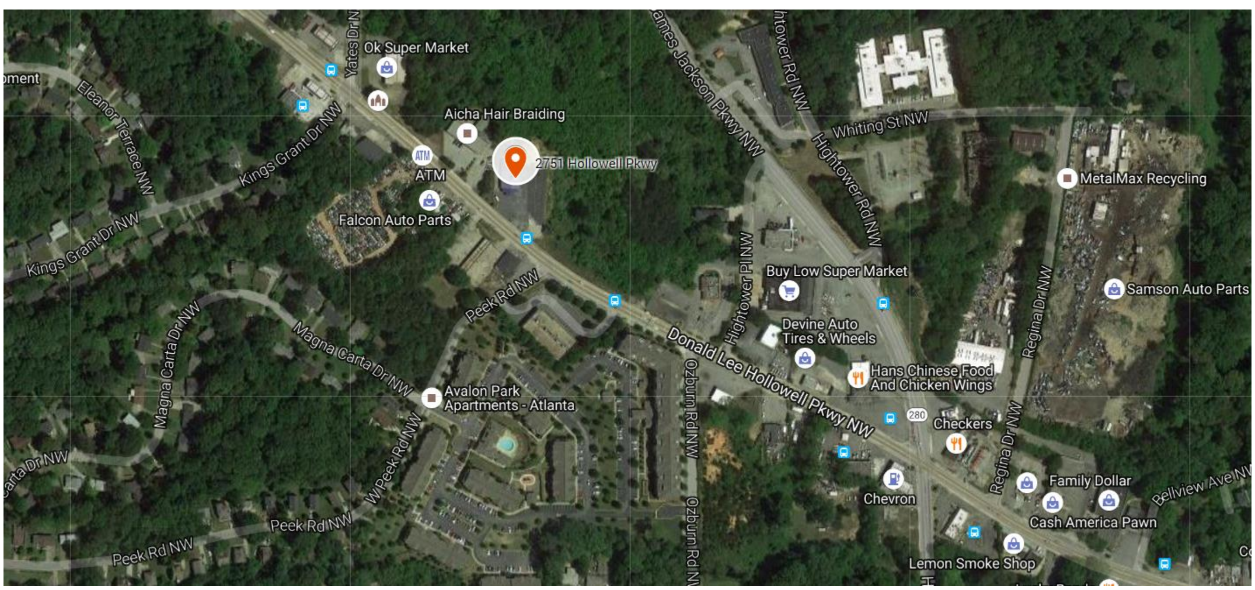


Figure 51. Close up Site of Hypothetical Shopping Center Site at 2751 Hollowell Parkway (Google Maps).

Figure 52. Hypothetical retail center layout at the intersection of Hollowell Parkway and James Jackson Parkway (Mark Sloan).

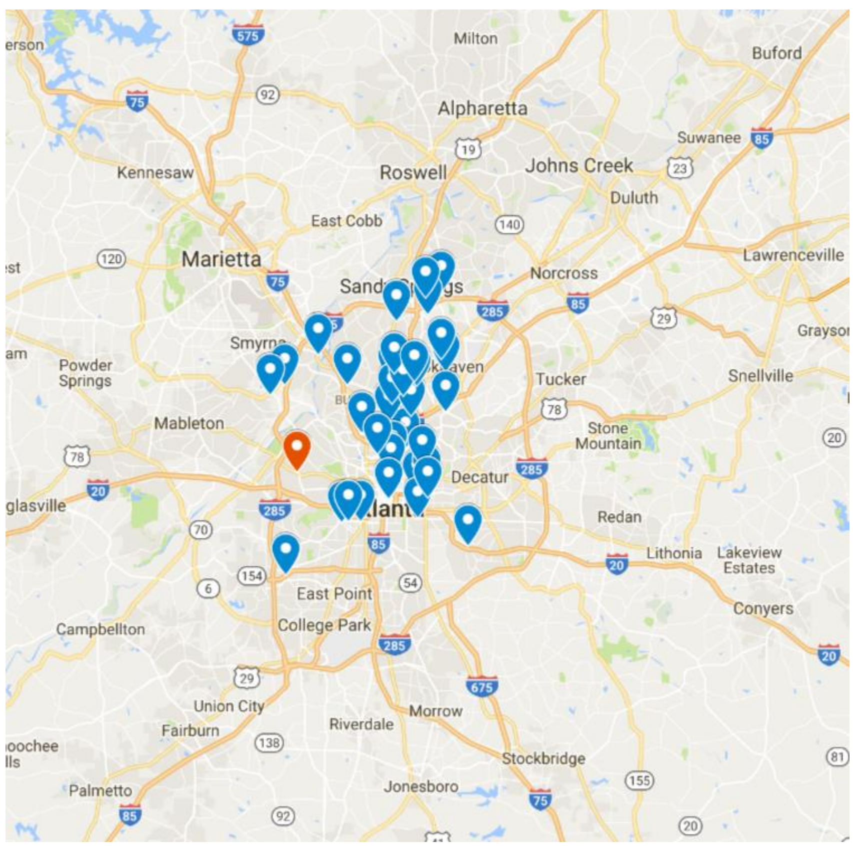


Figure 53. Eye Care Businesses near Hollowell Parkway (Google Maps).

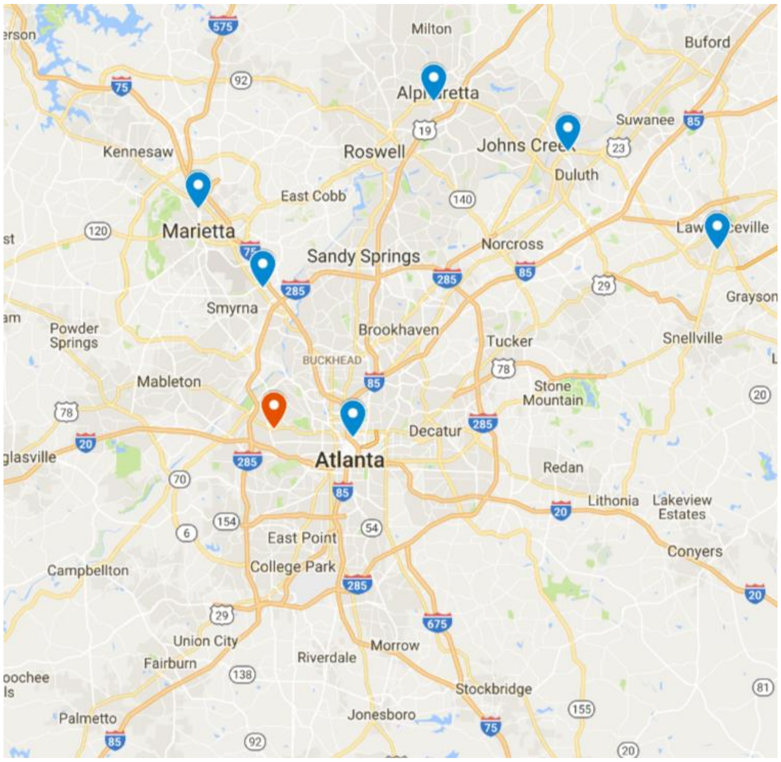


Figure 54. BrightStar Care Locations (Google Maps).

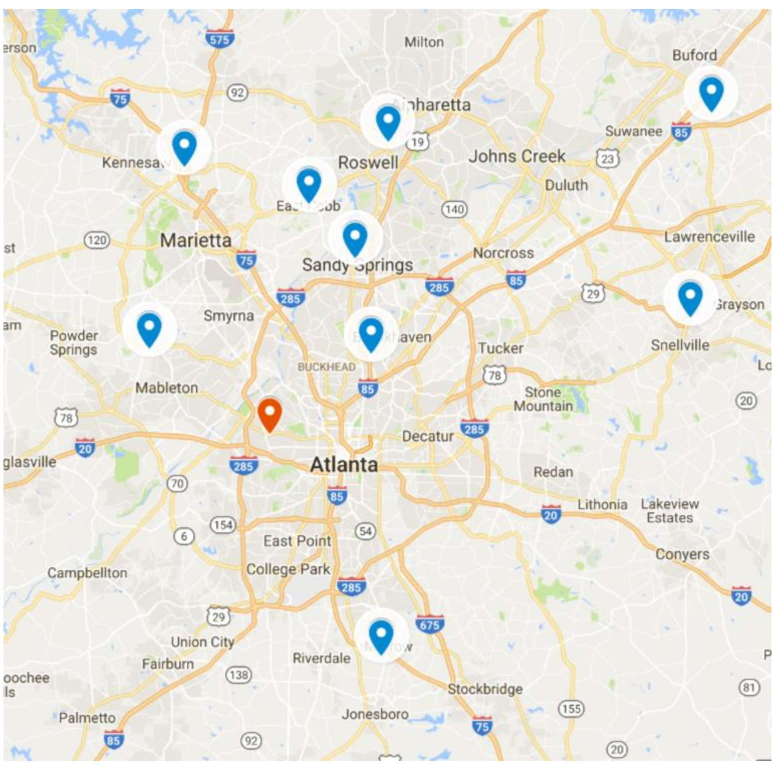


Figure 55. Pearle Vision Locations (Google Maps).

Estimated Pearle Vision Startup Costs

TYPE	LOW	HIGH	DUE DATE
Initial Franchise Fees New Licensed Operator	$30,000.00	$30,000.00	Upon signing License Agreement
Initial Franchise Fees Existing Licensed Operator	$20,000.00	$20,000.00	Upon signing License Agreement
Real Estate	$20,639.00	$28,868.00	As billed
Construction	$123,121.00	$183,408.00	As billed
A&E Fees	$0.00	$15,500.00	As billed
Equipment	$12,892.00	$17,515.00	As billed
Signage, Fixtures, Furniture and Décor	$79,252.00	$100,754.00	As billed or upon signing the License Agreement
Inventory	$45,500.00	$106,600.00	As billed or upon signing the License Agreement
Point of Sale and Computer System	$11,395.00	$25,755.00	As billed
Grand Opening Advertising	$5,000.00	$15,000.00	As billed
Training Expenses	$0.00	$1,500.00	Prior to attendance
Security Deposits	$1,300.00	$15,000.00	As billed
Insurance	$1,100.00	$2,500.00	As billed
Additional Funds	$80,000.00	$80,000.00	As needed
Totals for new full service EyeCare Center			
New Licensed Operator	$410,199	$622,400	

Figure 56. Estimated Pearle Vision Startup Costs (Pearle Vision).

Case Study #3

Franchise #3: FRESHII By Lauren Roberts

History and Social Context

The Hollowell Parkway area (formerly known as Bankhead Highway) is located in northwest Atlanta and was once a major commercial and industrial hub. It was first established in 1872 when the city of Atlanta built a streetcar line spanning from the present-day downtown area to the Chattahoochee River (ADA 2006). The Atlanta and Chattahoochee Railway Company trolleys traveled along Donald L. Hollowell Parkway to Hollywood Road and on to Bolton Road. As the streetcar line grew, several neighborhoods expanded and developed in the study area throughout the early 20th century. The corridor experienced its economic peak during the 1960s; during the 1970s, however, the migration of businesses to the suburbs (a trend examined in studies by Michael Porter, Jennifer Brooks, and Kasey Wiedrich in the part I of the paper) caused protracted disinvestment. Economically mobile populations left the area, and by the beginning of the 21st century the population was only half of what it was during its peak.

Declining population, deterioration of infrastructure, and a paucity of retail business opportunities have led to wide scale devaluation and decline in the project area. Subsequently, a cyclical feedback loop of disinvestment and deterioration has become the norm. A plan for long-term, sustainable revitalization must address the need for quality hard and soft infrastructure, increased business opportunities, and workforce development. Public and private investment mechanisms will both be necessary in order to bring an influx of capital into the area, and stakeholders must align their plans with public-buy in and concerns. According to the Livable Communities Initiative published by the Atlanta Regional Commission in 2010, stakeholders in the community seek accomplish the following goals:

- Eliminate area perception of high crime
- Address heavy truck/freight traffic on the corridor
- Address lack of cohesion, and foster a “sense of place” in the community
- Provide alternative transportation options, including biking and walking trails
- Create a safe, economically thriving community, with desirable live/work/play conditions
- Foster market appeal through increased business opportunities
- Preserve natural and environmental resources in the area, such as parks, green spaces, and hiking trails (ARC 2010).

Geography

The project area is located on a heavily trafficked arterial corridor running 4.5 miles on either side of I-285, starting at Commercial Avenue and ending at Buckner Road. It is divided into 3 distinct "stretches": the in-town stretch, the industrial stretch, and the suburban stretch. The in-town stretch reaches east from I-285 and contains mostly mixed-use developments and adjacent neighborhoods with active pedestrian, bike, and transit activity. The industrial stretch runs through the heart of the corridor from Harwell road to the eastern Atlanta boundary and is heavily dominated by medium- and high-density industrial development projects. Finally, the suburban stretch runs past the Atlanta boundary area and terminates near the Bankhead MARTA station. It contains low- to medium-density residential developments, with open spaces and some mixed-use developments (ARC 2010).

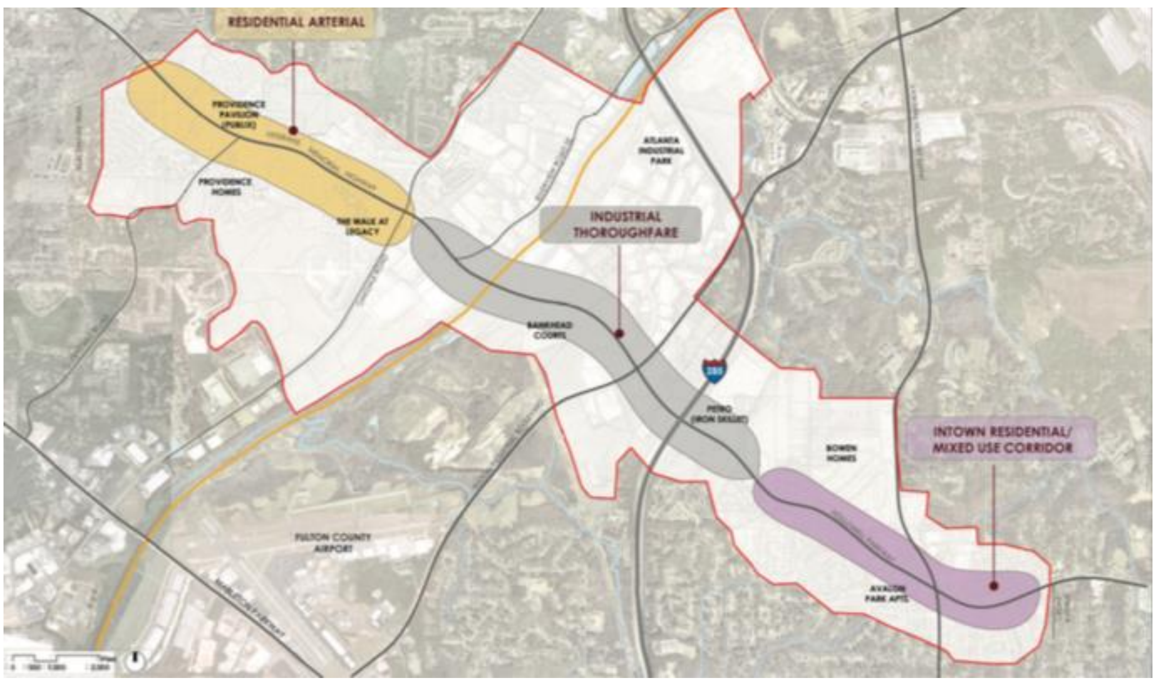


Figure 57. An aerial view of Hollowell Parkway's 3 corridors (LCI Report).

Hollowell Parkway's industrial stretch provides the greatest opportunity for business development and revitalization. Several mixed-use nodes are strategically located along this portion of the corridor and have already been targeted for future development by the Atlanta Regional Commission and the Emerald Corridor Foundation. The Jackson-Hollowell intersection in particular presents great potential for revitalization – it experiences a significant amount of through traffic during daytime hours and provides several viable areas for site development that can deliver goods and services for both transient populations and local residents.

Traffic and Transportation

As previously noted, the project area serves heavy through traffic. While this is a considerable detriment in terms of wear and tear on roads and hard infrastructure, it also provides an advantage in the provision of a ready and consistent customer base. Capturing the business of transients and drivers as they pass through the project area will be a key aspect in revitalizing the Hollowell Parkway corridor and increasing its market appeal.

Another major advantage of the project area is its ready access to mass transit. Both MARTA and CCT buses serve the study area, and it is located near the Bankhead MARTA station. The presence of public transit provides local residents and visitors with the ability to travel through the project area with relative ease.

Figure 58. An exterior view of the Bankhead MARTA Station.

The study area provides ample opportunity for Transit Oriented Development (TOD). In order to accommodate heavier traffic flows, the Bankhead MARTA station will need to undergo major renovation. It currently holds only eight parking spaces and is large enough to accommodate only two rail cars.

It should be noted that there is no ready route across the Chattahoochee River in the project area, which limits prospects of attracting consumers from external markets. The 2008 Connect Atlanta Plan has mapped a potential transportation network through the area, including a premium transit service and frequent bus service. However, these plans have yet to be implemented (ARC 2010).

A 2006 analysis conducted by the City of Atlanta determined that pedestrian traffic is limited by a lack of sidewalks, bike lanes, and amenities that promote walkability and ready access to transit services. New developments in the area will need to accommodate the needs of existing pedestrians, and provide safe avenues of transit for customers that may wish to stop in the project area (ADA 2006).

Demographics

The Hollowell Parkway area presents a series of unique challenges for consumers, business owners, and development professionals. An analysis of the area's demographic profile shows that factors such as income, employment, and housing values of the incumbent population pose significant considerations for future development. In particular, the unemployment rate of the project area is considerably higher than in neighboring areas, and income and home values are also well below national, county, and city averages.

Population

The Atlanta Regional Commission reports that the study area has a population of 8,181 people as of 2014. Figure 59 shows projected trends in population over time. The area has shown positive growth trends from 2000 onward, and the ARC projects that by 2019, Hollowell Parkway will be home to 9,767 residents.

	Population					
	Study Area	*2-mile*	*2-5 miles*	*5-8 miles*	*Atlanta*	*Cobb*
2000	6,865	28,105	124,093	317,946	416,474	607,751
2009	**8,181**	**32,993**	**151,973**	**376,869**	**493,028**	**712,681**
2014	8,938	36,118	167,729	411,278	540,600	763,515
2019	9,767	39,546	185,096	448,767	592,781	818,075
2000-09 Annual Growth	1.96%	1.75%	2.22%	1.86%	1.84%	1.74%
2009-14 Annual Growth	1.79%	1.83%	1.99%	1.76%	1.86%	1.39%
2009-14 Net Growth	757	3,125	15,756	34,409	47,572	50,834
2014-19 Net Growth	829	3,428	17,367	37,489	52,181	54,560
2009-19 Net Growth	1,586	6,553	33,123	71,898	99,753	105,394

Figure 59. Population Growth Trends in Project Area (LCI Report).

In this particular case, population growth in the project area could signal considerable benefits in the form of a wider consumer base and potential employment pool. Spatial trends also suggest that the area may continue to grow, suggesting a potential long-term reversal of the trend of depopulation that has plagued the area since the 1970s.

The project area also houses a largely African American population. According to the ARC, 92% of the population is black, compared to a 5.7% white population and 2.3% Hispanic population. This particular demographic indicator is significant in light of the relationship between race, income, and business (previously highlighted in the literature review, per the Economic Policy Institute, Leigh & Blakely, 2016; and the Minority Business Development Association). Specifically, support mechanisms for black business owners are lacking, and prospective minority entrepreneurs face substantial barriers to entry in local markets.

	Ethnicity					
Ethnicity: 2009	**Study Area**	**2-mile**	**2-5 miles**	**5-8 miles**	**Atlanta**	**Cobb**
White alone	**5.7%**	3.3%	24.5%	39.7%	29.3%	66.2%
Black alone	**92.2%**	94.2%	69.2%	50.3%	63.8%	21.4%
Hispanic origin	**2.3%**	2.5%	6.7%	8.7%	6.0%	11.2%
Ethnicity: 2014						
White alone	5.5%	3.1%	22.8%	36.6%	27.3%	62.6%
Black alone	92.1%	94.3%	69.8%	52.0%	64.8%	22.6%
Hispanic origin	2.6%	2.7%	7.8%	10.2%	7.0%	13.5%

Figure 60. Breakdown of Ethnicity in the DLH Project Area (LCI report).

Employment and Income

Average household income in the project area is significantly lower than in both the surrounding metropolitan Atlanta area and in Cobb County. Figure 61 shows a breakdown of income in the corridor, and compares local earnings with nearby areas. The ARC's projections show that average household income in the Hollowell Parkway corridor is less than half of what it in Cobb County as of 2014 (approximately $48,154 versus $102,455.). Likewise, per capita income is also much lower in the corridor than it is in surrounding areas, reflecting the study area's lack of affluence and associated spending power. Even though projected growth rates are moderately strong, the corridor's overall purchasing power will still remain less than half of levels in the city or county overall (ARC 2010, p. 54).

Average Household Income						
		Study Area as % of				
	Study Area	2-mile	2-5 miles	5-8 miles	Atlanta	Cobb
2000	$ 36,350	99%	65%	57%	59%	49%
2009	**$ 44,909**	**103%**	**65%**	**55%**	**58%**	**46%**
2014	$ 48,154	104%	65%	56%	58%	47%
2019	$ 51,646	105%	66%	56%	58%	48%

Per Capita Income						
	Study Area	2-mile	2-5 miles	5-8 miles	Atlanta	Cobb
2000	$ 11,702	$ 12,479	$ 22,373	$ 27,775	$ 25,772	$ 27,863
2009	**$ 14,428**	**$ 14,794**	**$ 27,473**	**$ 35,563**	**$ 32,593**	**$ 36,547**
2014	$ 15,472	$ 15,734	$ 29,159	$ 38,195	$ 35,325	$ 37,957
2019	$ 16,594	$ 16,734	$ 30,951	$ 41,025	$ 38,281	$ 39,421
2000-09 Annual Growth	2.29%	1.86%	2.24%	2.71%	2.57%	2.98%
2009-14 Annual Growth	1.41%	1.24%	1.20%	1.44%	1.62%	0.76%
2009-14 Net Growth	$ 1,044	$ 940	$ 1,686	$ 2,632	$ 2,732	$ 1,410
2014-19 Net Growth	$ 1,122	$ 1,000	$ 1,792	$ 2,830	$ 2,956	$ 1,464
2009-19 Net Growth	$ 2,166	$ 1,940	$ 3,478	$ 5,462	$ 5,688	$ 2,874

Figure 61. Average Household and Per Capita Income in Project Area (LCI report).

Likewise, employment statistics show that there are 328 businesses employing 6,697 workers in the project area. However, only 75.4% of the area labor force is employed – as of 2009, the project area has a staggering unemployment rate of 24.6% (ARC 2010, p. 56), far above both the averages for the Metro Atlanta MSA, Cobb County, and the Unites States (5.3%, 4.7%, and 4.8%, respectively) (BLS 2016).

A breakdown of area employment shows that most jobs are concentrated primarily in low-wealth industries. Figure 62 shows the industry makeup of the project area. According the pie chart, almost a third of employment (29.10%) is concentrated in manufacturing. Another quarter of employment (25%) is concentrated in services, and the third largest allocation is in retail (14.20%).

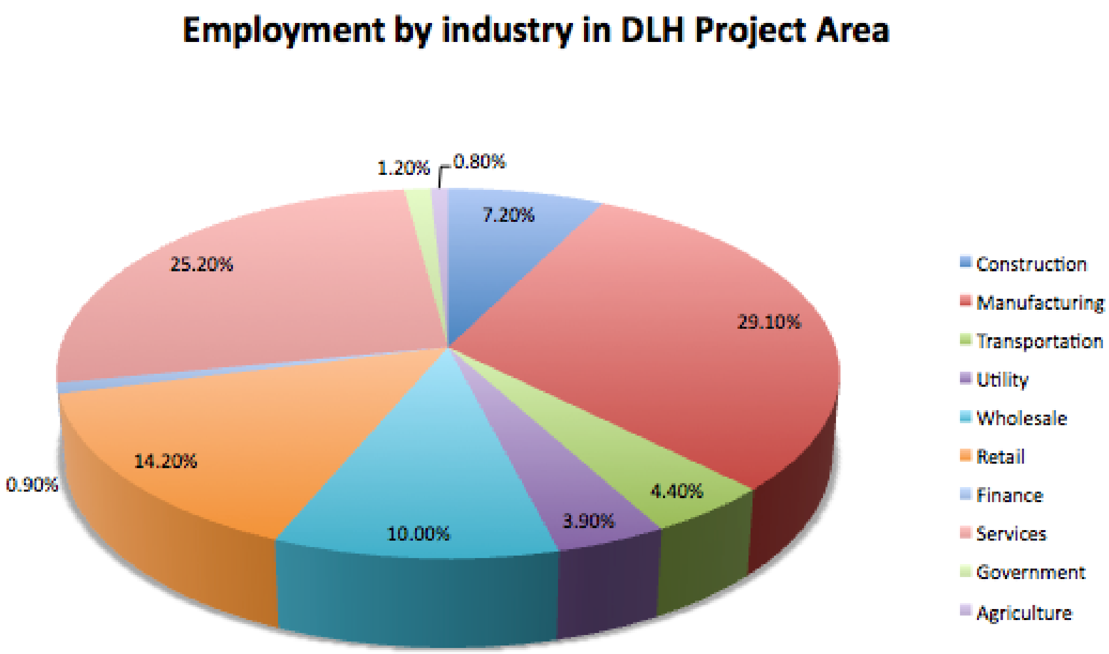


Figure 62. Breakdown of Employment in Project Area (ESRI).

This breakdown in significant in light of the area's severe lack of quality jobs. Specifically, the sectors that dominate the project area tend to attract low-paying, unstable employment, so diversifying the area's industry portfolio has the potential to attract higher quality work that offers higher wages and salaried positions with benefits.

As Figure 63 shows, educational attainment in the area is also exceptionally low. According to the LCI report, only 16.9% of residents have earned both a high school and college degree; 27% had not earned a high school diploma (compared to 16.2% nationally), and 35.5% were high school graduates only (compared to 29.8% nationally) (ARC 2010, p. 56).

	Educational Achievement					
	Study Area	*2-mile*	*2-5 miles*	*5-8 miles*	*Atlanta*	*Cobb*
High School Graduate	**35.5%**	37.2%	26.8%	21.4%	23.4%	21.2%
4-yr College Degree	**9.9%**	10.0%	20.1%	26.7%	23.7%	28.5%
Advanced Degree	**7.0%**	7.2%	13.1%	16.4%	15.7%	13.8%

Figure 63. Educational Attainment in DLH Project Area (LCI report).

Home Values

Data published by the Atlanta Regional Commission shows that both median and average home values are much lower in the project area than in neighboring areas. Figure 64 shows median home values in the project area from 2000-2019. The projected median home value in the Hollowell parkway corridor is $85,263 as of 2014, compared with $124,759 in the Metro Atlanta MSA and $159,464 in Cobb County.

	Median Home Value					
	Study Area	***2-mile***	***2-5 miles***	***5-8 miles***	***Atlanta***	***Cobb***
2000	$ 77,538	$ 76,194	$101,044	$134,109	$144,097	$145,349
2009	**$ 85,054**	**$ 77,419**	**$103,021**	**$127,887**	**$124,759**	**$159,464**
2014	$ 86,263	$ 77,175	$104,559	$131,091	$126,774	$161,149
2019	$ 87,477	$ 76,944	$106,137	$134,401	$128,815	$162,848
2000-09 Annual Growth	1.03%	0.18%	0.22%	-0.53%	-1.59%	1.04%
2009-14 Annual Growth	0.28%	-0.06%	0.30%	0.50%	0.32%	0.21%
2009-14 Net Growth	$ 1,209	$ (244)	$ 1,538	$ 3,204	$ 2,015	$ 1,685
2014-19 Net Growth	$ 1,214	$ (231)	$ 1,578	$ 3,310	$ 2,041	$ 1,699
2009-19 Net Growth	$ 2,423	$ (475)	$ 3,116	$ 6,514	$ 4,056	$ 3,384

Figure 64. Median Home Values in the Project Area (LCI Report).

Similarly, average home values in the area are much less than in both Cobb County and in the Atlanta MSA (Figure 65). The projected average cost for homes in the Hollowell Parkway corridor is $96,564 as of 2014, compared to $269,316 in Atlanta and $193,157 in Cobb County, respectively.

	Average Home Value					
	Study Area	***2-mile***	***2-5 miles***	***5-8 miles***	***Atlanta***	***Cobb***
2000	$ 86,088	$ 82,749	$163,445	$225,906	$236,651	$174,193
2009	**$ 94,880**	**$ 82,655**	**$173,905**	**$255,523**	**$269,316**	**$193,157**
2014	$ 96,564	$ 83,056	$175,182	$259,066	$271,827	$196,676
2019	$ 98,266	$ 83,472	$176,500	$262,713	$274,419	$200,242
2000-09 Annual Growth	1.09%	-0.01%	0.69%	1.38%	1.45%	1.15%
2009-14 Annual Growth	0.35%	0.10%	0.15%	0.28%	0.19%	0.36%
2009-14 Net Growth	$ 1,684	$ 401	$ 1,277	$ 3,543	$ 2,511	$ 3,519
2014-19 Net Growth	$ 1,702	$ 416	$ 1,318	$ 3,647	$ 2,592	$ 3,566
2009-19 Net Growth	$ 3,386	$ 817	$ 2,595	$ 7,190	$ 5,103	$ 7,085

Figure 65. Average Home Values in the Project Area (LCI Report).

A significant drop in home values indicate of a broader cycle of poverty - residents in the project area wishing to sell their homes may not hold enough equity left to put down on their next home, especially after they pay the closing costs and the outstanding balance of their mortgage. When homeowners lose the equity in their homes because home values are starkly below average, they can't buy up or downsize. They must stay put, and the real estate market stagnates as a result.

Major Obstacles

Perception of Crime and Safety

There is a perception of high crime and low safety in the Donald Lee Hollowell Parkway project area that has historically made businesses hesitant to enter the market. However, crime rates in APD Zone 1 (the zone containing the study area) are the third lowest in the entire Atlanta MSA. According to year-to-date reports published by the City of Atlanta Police Department, APD Zone 1 reported an average of 3,276 incidents of crime, or 14% of the city's crime reports (the third lowest among all zones). However, pockets of crime do exist along the corridor, and Invest Atlanta recommends that police presence, especially foot patrol, be increased wherever possible (ADA 2006).

A major way to combat both the presence and perception of high crime in the area is to revitalize abandoned storefronts and dilapidated buildings. Revitalizing these buildings will have the simultaneous effect of improving community perception and eliminating potential incubators of local crime. According to the U.S. Department of Housing and Urban Development, signs of abandonment or disorder tend to encourage crime, notably in the form of drug dealing and gang activity (HUD 2014). Lin Cui of the University of Pittsburgh determined that after a property becomes vacant, the rate of violent crime within 250 feet of the property is 15% higher than the rate in the area between 250 and 353 feet from the property (Cui, 2010). Likewise, longer periods of vacancy have a greater effect on crime rates.

Deterioration of Infrastructure

Heavy traffic, combined with protracted disinvestment, have made age and deterioration a major issue in the Hollowell Parkway area. Many of the buildings in the area were built 25 or 50 years ago, and have had very few structural improvements since. Renovation of roads and hard infrastructure will both be necessary for the project area's revitalization. In addition, the area must encourage and support pedestrian and bike traffic. The construction of sidewalks and bicycle lanes will allow residents to traverse the area more freely and safely.

Lack of Retail Opportunities and Fresh Food

The project area suffers from a severe lack of retail market appeal. Specifically, it lacks product offerings, brand recognition, marketing capacity, pricing, merchandising, and basic critical mass necessary to appeal to the either its incumbent population or the increasingly affluent potential customer within the secondary retail market. This is compounded by the cyclical relationship between disinvestment and market appeal. Specifically, as disinvestment increases, businesses have less incentive to either stay in the project area or enter the market. As businesses either leave or stagnate, the level of disinvestment increases, and the cycle continues anew.

Fortunately, the project area has substantial potential to form a virtuous retail cycle. If the project area can attract stable, high-growth businesses and brands, then it can simultaneously employ out-of-work residents and increase its local market appeal. This will have the effect of increasing marketability and ultimately cultivating a safer, more economically viable community.

The area has several notable retail and business gaps that could potentially be filled by franchises. One of the more notable retail gaps exists in the food service industry. The project area is located in a food desert (previously defined in the literature review as an area where affordable and nutritious food is difficult to obtain, according to the USDA), and has only one grocery store and no casual healthy dining establishments to serve its customer base. Figure 66 shows a map of the project area, along with the locations of existing food retailers in the area.

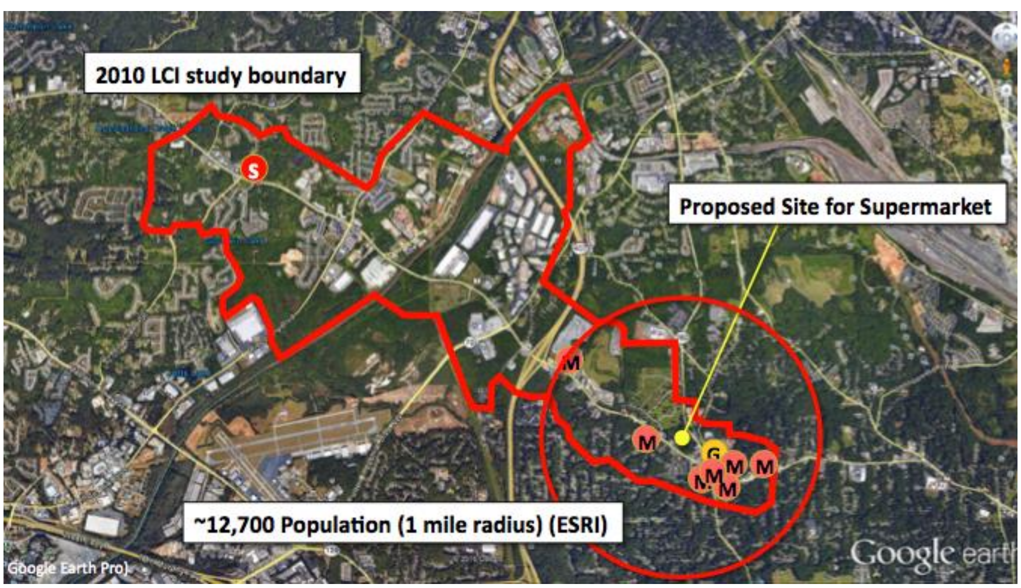


Figure 66. Food Retailers in the LCI Study Boundary (Google Earth Pro, Mark Sloan).

According to the map, the project area is primarily served by minimarts that supply a limited, low-quality inventory of fatty and processed foods. Similarly, restaurants in the area are primarily major fast food chains, or locally-owned fast casual restaurants. The proposed location of the shopping center will contain a Save-A-Lot that will provide a retail anchor to bring more quality food to the area. Combined with the Freshii restaurant, the shopping center can provide potential to kick-start a healthy casual food cluster.

The case study will focus specifically on the gap in the food service and retail industry, but other gaps worth noting include business and printing services, medical supplies, tutoring, community gathering spots (such as internet cafes and bookstores), and financial and tax services (there are no banks currently serving the project area).

Franchise Examination – Making the Case for a Freshii Franchise on Hollowell Parkway

Overview

The Freshii franchise was established in 2005 to provide fresh, nutrient dense food to consumers at affordable price points. Freshii aspires to be, in the words of its CEO Matthew Corrin, "the Starbucks of the fresh food business" (Markowitz 2011). To this end, Freshii offers a variety of healthy menu choices that incorporate "fiber-rich, slow-burning carbs, essential fats, and lean proteins" (Freshii FAQ 2016). As of 2016, the company is opening 3.5 restaurants per week, and currently serves approximately 300 locations globally in over 85 cities in 20 different countries (Corrin 2016).

Freshii uses a sustainable business model that aims to provide affordable, organically grown food to a wide-ranging clientele. Their "Eat. Energize." mission statement is divided into 3 distinct points: 1) scalability, 2) branding and marketability, and 3) sustainability (Freshii FAQ 2016).

Scalability

Freshii aims to provide a model that is both easily replicated and can be changed to suit the needs of customers and franchisees. In this regard, franchisees are given limited leeway in design, construction, and site location. Since the model is scalable, it can be reproduced regardless of size, location, and consumer base.

Branding and Marketability

The Freshii franchisor offers a branded, marketable business plan that has benefited from considerable longevity and widespread use. The franchise in question provides local inexperienced business owners with a pre-established, successful retail model, along with the support of an experienced team of managers that seek to nurture franchisees as they operate and grow over time.

Sustainability

Freshii prides itself on utilizing sustainable, environmentally friendly business practices. It works specifically to create long-term consumer and employee value by creating an eco-friendly, “green” branded strategy aimed toward preserving the natural environment through a thorough consideration of how businesses operate in social, cultural, and economic contexts (FDD 2016). All packaging is biodegradable or easily recyclable, and Freshii locations are purposely tailored to minimize environmental impact. Products containing recycled content (such as concrete, steel, and drywall) are used as much as possible in construction to reduce the need for virgin building materials.

Freshii’s Franchise Requirements

Investments and Fees

The total investment necessary to begin operation of an independent Freshii restaurant is $170,000 to $470,500. This includes $45,000 that must be paid to the franchisor or affiliate.

Type of Expenditure	Amount	Paid to
Letter of Intent Fee	$5,000	Franchisor
Initial Franchise Fee	$30,000	Franchisor
Travel & Living Expenses While Training	$10,000 to $25,000	Third Parties
Marketing Deposit for Grand Opening	$10,000	Franchisor
Real Estate/ 3 months’ rent	$10,000 to $30,000	Landlord
Security Deposit	$5,000 to $15,000	Landlord
Construction, remodeling, leasehold improvements and decorating costs	$50,000 to $150,000	Contractors/Interior Designer and Other Suppliers

Furniture, fixtures, other fixed assets and equipment	$25,000 to $100,000	Approved vendors
Signage (interior and exterior)	$3,000 to $10,000	Approved vendors
Opening inventory and supplies	$5,000 to $10,000	Third parties
Insurance	$1,000 to $7,500	Insurance company
Licenses and permits	$1,000 to $3,000	Govt. agencies and contractors
Miscellaneous Opening Costs	$5,000 to $15,000	Third Parties
Additional funds – 3 months	$10,000 to $60,000	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT	**$170,000 to $470,500**	

Figure 67. A breakdown of initial investment into a Freshii's franchise

Figure 67 shows a breakdown of the initial investment required by the franchisee. Accordingly, the largest portion of the initial investment is allocated to construction of the restaurant and is paid to contractors and approved suppliers. The actual monies paid directly to the franchisor by the franchisee are relatively small in comparison. Moreover, many of the costs incurred can be partially covered or supported by local development authorities.

Figure 68 shows additional fees paid by the franchisee after the restaurant's establishment. Weekly and monthly marketing funds are paid regularly by franchisees, at amounts that are ultimately determined by the franchisor and are subject to change over time. Currently, royalty is 6% of gross sales (net sales + comps and discounts), payable weekly on a day specified by the franchisor, and the corporate advertising fee is 1.5% of net sales.

Type of Fee	Amount	Due Dates
Royalty	6% of sales	Due weekly on franchisor specified "payment day"
Marketing Fund Contributions	Amount specified by franchisor, up to 3% of Gross Sales, subject to Marketing Spending Requirement	Due monthly on franchisor specified "payment day"
Successor Franchise Fee	Standard initial franchise fee	When successor franchise is acquired

Transfer	$10,000	Upon transfer
Ongoing training and special assistance	$500 per day plus out-of-pocket costs and expenses (subject to change)	As incurred
Replacement copy of Operations Manual	$2,000 (subject to change)	As incurred
New product/ supplier testing	Good faith estimate of evaluation costs, provided by franchisor	When billed
Music Provider-Playlist Generation	Set-up fee of $99 and $42 monthly fee per location	Monthly
Insurance	Premiums and franchisor-specific costs and expenses	When billed
Relocation	"Reasonable costs" to be determined by the franchisor	As incurred
Audit	Cost of inspection or audit	As incurred
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows	15 days after billing
Management fee	10% of Gross Sales plus direct out-of-pocket costs and expenses	As incurred
Costs and attorney's fees	Will vary under circumstances	As incurred
Indemnification	Will vary under circumstances	As incurred
ServSafe / TIPS (or similar) Certification	$150 per person or then-current market rate	As needed
Liquidated	Will vary under circumstances	15 days after termination

Figure 68. A breakdown of continued fees (FDD 2016).

Many of the additional fees imposed by the franchisor are paid as they are incurred, and in many cases, vary from location to location. Relocation costs, for example, vary according to both initial construction costs and long-term site relocation and evaluation costs (FDD 2016, p. 67).

Site Requirements and Location

Freshii franchise locations generally range in size from 500 to 1,500 square feet. The requirements for signage, furniture, and store layout are all dictated by the franchisor in explicit terms set in the Franchise Disclosure Document (FDD). Specifically, the franchisee is only permitted to buy furnishings, construction materials, and signage from pre-approved vendors and third parties. Moreover, representatives of Freshii's Franchise Site Selection Committee must approve and oversee construction and site evaluation. There is, however, some level of flexibility and scalability allowed by the franchisor. According to Michael F. Pandich, Jr., a development specialist employed by Freshii, business owners who need some level of adjustment according to individual site criteria are permitted some leeway (Pandich 2016).

Benefits of a Freshii Franchise

Provision of Quality, Nutrient Dense Food

Perhaps the greatest upfront benefit of Freshii is its availability of quality, affordable food. Freshii prides itself on delivering "healthy fast food," and provides an extensive variety of food options, including burritos, soups, salads, and smoothies. Moreover, each individual customer experience is entirely customizable. Guests can choose from a menu of chef-designed entrees, or alternatively they can customize their own bowl, wrap, salad or soup to fit their individual dietary needs. The majority of items on the Freshii menu are available for under $10, and as such Freshii provides an ideal way to deliver casual, healthy dining that is affordable to both transient and local customers (Corrin 2016).

Opportunities for Quality, Scalable Employment

Freshii provides ample potential for local employment in the project area. Typically, Freshii franchisees employ 8-10 workers, including salaried managerial positions that pay a minimum of $40,000 a year, with benefits and bonuses. According to Pandich, franchisees are encouraged to pay their workers above the national minimum wage, and after a certain operational threshold is met (generally when at least six employees are hired), workers are allowed flexibility to work either part-time or full-time (Pandich 2016).

When a franchisee opens a Freshii restaurant, managers take part in an intensive training program sponsored by the Freshii University™ system. The employee training program takes workers through the basics of food safety and preparation, customer service, operation standards and methodology, and the Freshii philosophy, all while providing them with the necessary skills for a career path in foodservice, catering, and management (FDD 2016, p. 25).

The initial training program covers approximately 78 hours of classroom training and 218 hours of on-the-job training for the general manager and other salaried managers at the restaurant. An executive workshop is also available for managers and operating partners (FDD 2016, p. 23).

Pre-established Brand Model and Guided Business Plan

The biggest benefit of a Freshii franchise is its provision of a pre-established, successful business model. The brand's considerable longevity, combined with its provision of both an operational model and standard consumer portfolio, provides substantial opportunity for growth in the project area. As Pandich notes, "with a Freshii franchise, you will have the power of the brand name behind your product... At a time when people are looking for ways to eat healthier without sacrificing taste, Freshii provides a great alternative" (Pandich 2016).

For aspiring business owners who have limited experience in the restaurant industry, Freshii provides a complete training program along with ongoing support from field operational staff. The store design team and the site selection committee assist in evaluating potential store locations and guide the franchisee on the specifics of construction, as well as the technicalities of commercial lease transactions. Once the franchise opens, managers and operating partners receive an operations manual that details all aspects of day-to-day operations. The franchisor also provides franchisees with field support, supplementary training services, R&D, and continuing education.

Low Market Threshold and Protected Range

According to Pandich, Freshii's requirements for entry are minimal: there are no specific market requirements beyond the payment of the initial investment package. Moreover, individual Freshii sites are served by a "Protected Area" clause that prevents other Freshii franchisees from operating too close to the site of origin. The size of the protected area is dependent on the density of population, traffic, competition and other factors (Freshii FAQ 2016).

Community Meeting Spaces

Freshii provides a community meeting space comparable to the ones in large-scale coffee shop chains (such as Starbucks or Einstein Brothers). They provide a space for workers, students, and business people to meet and gather informally. Most Freshii locations provide ample seating for two, handicapped seating, and they occasionally even offer designated spaces for parties of four or more to gather. The very first Freshii restaurant in Toronto, Canada, hosts weekly community gatherings for the Girls Who Code organization, a non-profit headquartered in New York State (Markowitz 2011).

Philanthropy

Freshii actively works in conjunction with Feed the Children to end child hunger around the world. Purchases of any item from their We Feed Menu™ buys one meal for a child in need (Freshii FAQ 2016).

Drawbacks

There are three major drawbacks in establishing an independent Freshii franchise: these are 1) cost restraints, 2) restrictions on sourcing, and 3) a lack of targeted support programs.

Cost Restraints

The cost of a Freshii franchise is not insignificant, especially when one considers the low-income population mix in the project area. Aspiring business owners in the study area may face difficulty providing the initial investment package, particularly if they lack knowledge of local and municipal support mechanisms available to them. However, local residents wishing to establish and maintain their own Freshii franchise could potentially get financial support from local development authorities. Entrepreneurs in the Hollowell Parkway project area, for example, may turn to Invest Atlanta, or the Metro Atlanta Chamber of Commerce.

Restrictions on Sourcing

The second major drawback lies in Freshii's limited options for sourcing food and ingredients. The local sourcing of food items for a "fast casual" restaurant such as Freshii could provide potential for local farmers in or around the project area to profit from continued trade and transactions with the franchisee. However, Freshii does not include local farmers, ranchers, and growers its supply chain. As Pandich explains, this decision was attributed to recent health concerns surrounding local sourcing. Chipotle (a "fast casual" franchise similar to Freshii) has experienced 5 separate outbreaks of food-related disease since October of 2015 owing to local sourcing practices. Outbreaks of Norovirus, Salmonella, and E. Coli have left over 350 people sickened around the United States, according a recent report by the CDC (CDC 2016). The intensity and frequency of these outbreaks are attributable to the difficulty of regulating and monitoring locally sourced food suppliers. In order to ensure the comfort, safety, and health of its customer base, Freshii only accepts products from a list of pre-approved vendors outlined in the Franchise Disclosure Document (FDD 2016, p. 76).

Lack of Targeted Development Programs

Freshii does not provide targeted employment programs to either minorities or low-income business owners (examples of such programs include Domino's "Deliver the Dream Program", or McDonald's "Chase McDonald's Finance Program"). These types of programs are particularly beneficial for franchisees wishing to enter a market area with high barriers to entry, as is the case with the Hollowell Parkway project area. If Freshii wishes to develop a more inclusive business model, it might do well to construct programs or financial packages for prospective entrepreneurs in LWCs.

Proposed Site Location and Layout

The proposed Freshii location will occupy a 1,500 square feet area in a shopping center at the nexus of Donald Lee Hollowell Parkway and James Jackson Parkway, an area which experiences some of the heaviest through traffic on the corridor (approximately 15,000-16,000 cars per day, according to ARC's estimate). Figure 69 shows an aerial view of the proposed site location, along with an overview and layout of the proposed shopping center.

Figure 69. An Aerial Overview of the Proposed Shopping Center at 2751 Hollowell Parkway. Freshii is located in the third "box" from the right (Mark Sloan).

Freshii will occupy a 1,500 square feet block in the shopping center, next to a PostNet and Pearle Vision. The front of the restaurant opens out onto a small green space that serves as both a food court and food truck area. In this particular case, the location of Freshii next to the food court allows for a synergistic retail approach: establishing a food use cluster in the project area will allow for new businesses to compete with incumbent food retailers and provide employment and business opportunities in the study area.

The site location has two areas for ingress and egress: one onto Donald Lee Hollowell and the other on to James Jackson. In addition, the shopping center allows for nearby pedestrian traffic to easily access local services. The Save-A-Lot (proposed by Mark Sloan) provides the major retail anchor that will draw a consistent, customer base and will attract potential guests.

Potential Economic Development Outcomes

There are several positive economic development outcomes that could result from a Freshii locating in the project area:

- ***Provision of fresh, nutrient dense food***. Improving the project area's access to fresh food has the simultaneous effect of improving the collective health of the project area, lowering long-term costs related to healthcare, increasing market appeal, and fostering a thriving food service cluster.
- ***Improving business and employment opportunities*. **Franchise businesses such as Freshii can provide the project area with much needed employment opportunities while injecting revenue into the local market. Locally earned funds can also be recirculated more evenly through the community and at a much higher rate than chain establishments, owing to a higher multiplier effect for franchises.
- ***Improving area-wide market appeal trough the inclusion of a highly resilient, marketable brand**.* The inclusion of firms with marketable, appealing brands and trademarks can provide a potential tipping point to kick-start the declining local economy in the Hollowell Parkway Corridor. This has the simultaneous effect of improving community perceptions and attracting customers from outside of the project area.

Case Study #4

Franchise #4: POSTNET by Ben Wallach

Overview

The HVM corridor, as defined in this paper, is located in northwest Atlanta and extends from West Midtown to the I-285 interchange. A map of its location can be seen in Figure 70. The corridor serves as a highly important east-west roadway for commuters traveling between the communities in and around Cobb County and midtown/downtown Atlanta. Additionally, the HVM corridor also serves a considerable amount of freight traffic due to the I-285 interchange as well as its proximity to the Atlanta Industrial Park. There is also one MARTA rail station, Bankhead, which is the west terminus station of the Green Line.

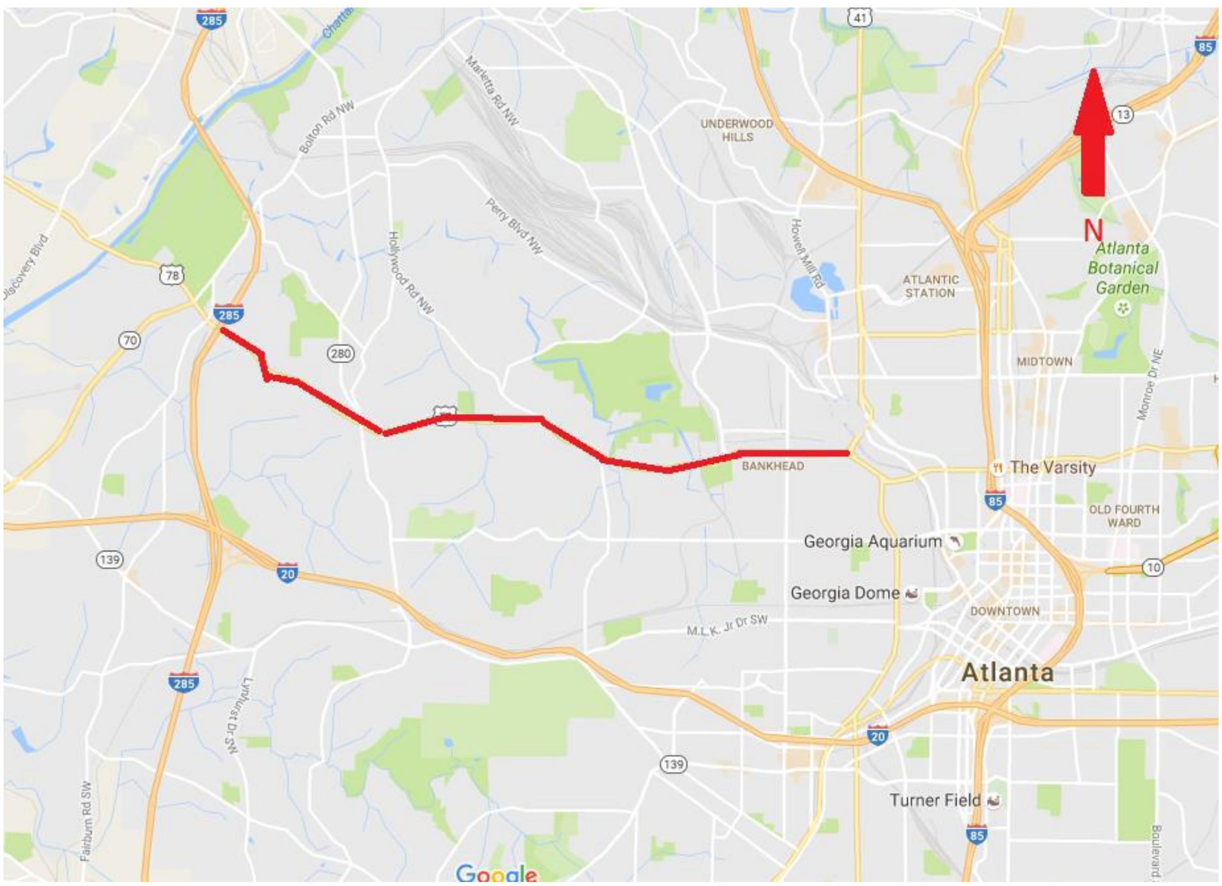


Figure 70. Study area along HVM corridor (highlighted in red) (Adapted from Google Maps).

The study area is home to a number of valuable assets and resources in both the natural and built environment. The Johnston's River Line Civil War earthworks is an example of a place with significant cultural importance and history in close proximity to the corridor. The study area also contains historic neighborhoods such as the Whittier Mill Village. In addition to culture, the HVM corridor also contains great swaths of natural beauty. The Chattahoochee River, Proctor Creek, the Bellwood Quarry, Westside Reservoir Park, and the Silver Comet Trail represent just a select few of the natural amenities of the study area (Cobb County & CoA, 2010). Additionally, the BeltLine trail network will eventually cross the HVM corridor just east of the Bankhead MARTA station (Atlanta BeltLine, 2016).

Despite the corridor's advantageous resources, the area is marked with blight, high rates of unemployment and crime, and a large number of vacant buildings. Due to these issues the corridor has been designated as one of six of Atlanta's Regional Commission's (ARC) Livable Centers Initiatives (LCI). The ARC provided funding for the City of Atlanta Bureau of Planning and Cobb County Department of Transportation to produce an LCI study. This study details key demographic information about the project area, identifies the area's strengths and weaknesses, and makes recommendations to revitalize the corridor as a whole. To summarize, the LCI study proposes higher densities with four "mixed-use pedestrian friendly nodes," alternative transportation options through increased coordination with MARTA and improved sidewalks and trails, redevelopment through public and private sector investment, and a more community-focused urban design (Cobb County & CoA, 2010).

Demographics

The LCI study describes the demographical characteristics of the HVM corridor. Data from 2014 shows that the population is 92.1% black, 5.5% white, and 2.6% Hispanic. The median age of the population is relatively young at 25.5 years old, although this may change as the area is expected to see an increase in population. The study area has an unemployment rate of 24.8%. Of those who are employed, workers are approximately 55% white collar, 21.1% service, and 24.4% blue collar (Cobb County & CoA, 2010).

These statistics show that the population of the study area is vastly young and underemployed. An unemployment rate of nearly 25% is nearly quadruple the national average of around 6% in 2014 (Bureau of Labor Statistics, 2016). A large portion of the populace is therefore not contributing to the tax base of the region.

While the high rate of unemployment is certainly a primary challenge, it can also represent opportunities for revitalization through franchise development. Franchises entering the HVM corridor community will have an ample supply of available workforce to hire for entry-level positions. This can be especially advantageous in retail or food service businesses which often have relatively high rates of turnover.

The LCI study also maintains that the HVM corridor is low-income. According to the study, the median household income of those in the study area in 2014 was only $31,175. This figure is considerably low compared to the median household income of $59,985 in a 5-8-mile radius of the study area. The low incomes in the region coupled with low density and relatively high crime rate generate significant barriers to attracting investment to the community. The upside is that the median household income of the study area is projected to increase by roughly $3,000 to $34,302 in 2019 (Cobb County & CoA, 2010). This upward trend is promising and may represent opportunities for incoming businesses.

Retail and Service Gaps

In addition to its problems with unemployment and low household incomes, the HVM corridor also has retail and service gaps. The issue of poor, minority, inner-city neighborhoods having low access to retail and services is well documented in the literature (U.S. HUD, 1999; Helling & Sawicki, 2001), and the HVM is no different. An example of a critical retail gap within the community is the lack of large groceries stores selling fresh food in the region. While there is a Publix supermarket along the corridor, it is located in a wealthier region outside the perimeter and inside Cobb County. In the poorer parts of the HVM corridor in Fulton County, the options for food largely amount to convenience stores which primarily sell pre-packaged, processed food which lack basic nutritional value.

The retail gap further extends to shipping and printing businesses. A Google Maps search for these establishments reveals that the HVM corridor contains no businesses which offer printing and shipping services to consumers or businesses, as seen in Figure 71. The one exception is a UPS Store to the west, but it is once again outside the perimeter and in the more affluent area of the corridor in Cobb County. All others are in midtown and downtown Atlanta. This gap in business service centers can potentially be an opportunity for a potential franchisee to capture this market. A shipping and printing service could be valuable to commuters traveling along the HVM corridor, as well as the residents and businesses located on the corridor. In the next section, a business service franchise PostNet, is evaluated based on its viability in serving this market gap along the HVM corridor and the economic development consequences it would have on the surrounding community.

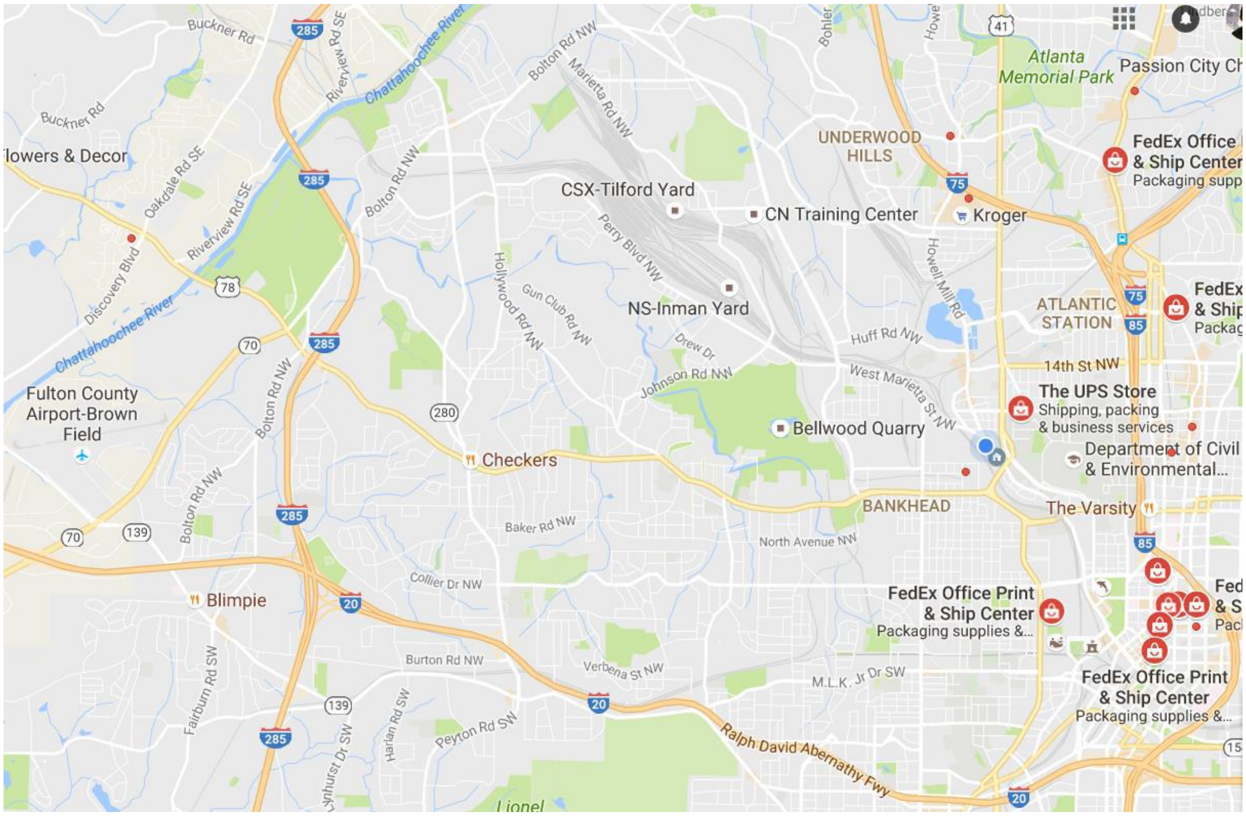


Figure 71. Shipping and printing businesses in West Atlanta (Google Maps).

Case Study: PostNet

PostNet offers shipping and printing services to consumers and businesses alike. PostNet was founded in 1992 by co-founders Steve Greenbaum (current CEO) and Brian Spindel. As of 2016, there were more than 700 PostNet locations both in the United States and abroad in nine other nations.

PostNet is privately owned, and thus not traded publicly on the stock market. Therefore, it is difficult to assess if the company is on a positive or negative trajectory overall. According to Entrepreneur.com, PostNet has increased its number of establishments by 1.9%, or 13, in the past year and by 0.1% over the past three years (adding 1 unit). While PostNet had a Franchise 500 rank of 104 in 2006, this rank has dropped to 280 by 2016. However, this rank of 280 represents an increase from a rank of 319 in 2015 (Entrepreneur.com, 2016). These numbers seem to indicate that PostNet growth has slowed since considerably since the mid 2000s. However, the uptick in number of establishments and the increase in Franchise 500 rank from 2015 to 2016 suggest that the franchise is seeing a resurgence. It is too early to say though if this recent growth will continue.

On internet forums, past PostNet franchisees have expressed that the printing and shipping industry is suffering from advances in using the internet that enable customers to compare shipping costs and, in turn, creates a race to the bottom in prices. It was also expressed on these forums that to be a successful PostNet franchisee, one had to work tirelessly at marketing the business to potential customers (Unhappy Franchisee, 2012). It should also be noted that the franchisees on these forums likely over represent the population of people who had negative experiences with PostNet. This is due to negativity bias whereby people with negative emotions are more likely to react strongly (Wu, 2013).

The following sections of this case study examine the proposed location for PostNet, evaluate the services offered by PostNet, and discuss the advantages and disadvantages of PostNet franchises in regards to potential economic development.

Proposed PostNet Location

This plan proposes a PostNet to be located at the intersection of Donald Lee Hollowell Parkway and James Jackson Parkway. PostNet would be part of a shopping center containing a large grocery store as the anchor tenant as well as nine other franchise businesses. The intersection of Hollowell and James Jackson has been identified as an area with great potential for commercial and mixed-use development by previous studies and plans, including the Hollowell Parkway TAD Study (2006), the D.L. Hollowell / M.L.K. Redevelopment Plan (2003), the Northwest Atlanta Framework Plan (2000), and the previously mentioned LCI study (2010). The LCI in particular recommends that the Hollowell and James Jackson intersection be converted into a high-density, mixed-used pedestrian node in which people can walk from their residences to local businesses (Cobb County & CoA, 2010). If this plan were realized, then the foot traffic created by the mixed-use development would help drive sales of the businesses.

Geographic Information System (GIS) software was used to determine the population surrounding the Hollowell and James Jackson intersection. Population within a one-mile radius is 12,741, within a two-mile radius is 35,731, and within a three-mile radius is 61,750. Ideally, PostNet would draw upon this local population for a significant portion of its business. If the people living on Hollowell support PostNet and the surrounding franchises, then these businesses will become integrated into the community and more likely to contribute to local economic development.. Additionally, recent traffic counts indicate that the corridor section near the Hollowell and James Jackson intersection has an average daily traffic (ADT) value of approximately 15,500 vehicles per day (Marketing Planning Solutions, Inc, 2015). PostNet would be able to profit from these through-travelers. This is especially true of commuters traveling between Cobb County and midtown/downtown Atlanta who are likely to need the business services provided by PostNet.

The shopping center where PostNet would be located would contain seven other businesses including a large grocery store, Save A Lot, which would act as an anchor. As evaluated from Atlanta GIS property maps, the shopping center would be built on land with C-1 land use zoning which means it is already zoned for commercial business (City of Atlanta, n.d.). As seen in Figure 72, the shopping center has ingress/egress driveways on both Hollowell and James Jackson allowing for accessible vehicular travel. Additionally, the shopping center would contain a small courtyard to support several small establishments including food trucks and pop-up shops. This courtyard could also serve as gathering place for local activities and events and draw pedestrian traffic to the businesses located within the shopping center.

From left to right, the proposed franchises in the shopping center are: Dunkin Donuts, Club Entrepreneur, Habitat for Humanity ReStore, PostNet, Freshii, Pearle Vision, and Save-A-Lot. The shopping center has a diverse array of businesses in the restaurant, furniture, healthcare, business service, and grocery markets. With this variety, many retail gaps along the corridor are addressed. Furthermore, PostNet's central lot location places it right in front of the courtyard with the food trucks and pop-up shops as well as close to the anchor business. Thus, PostNet should benefit from a large share of the foot traffic within the shopping center.

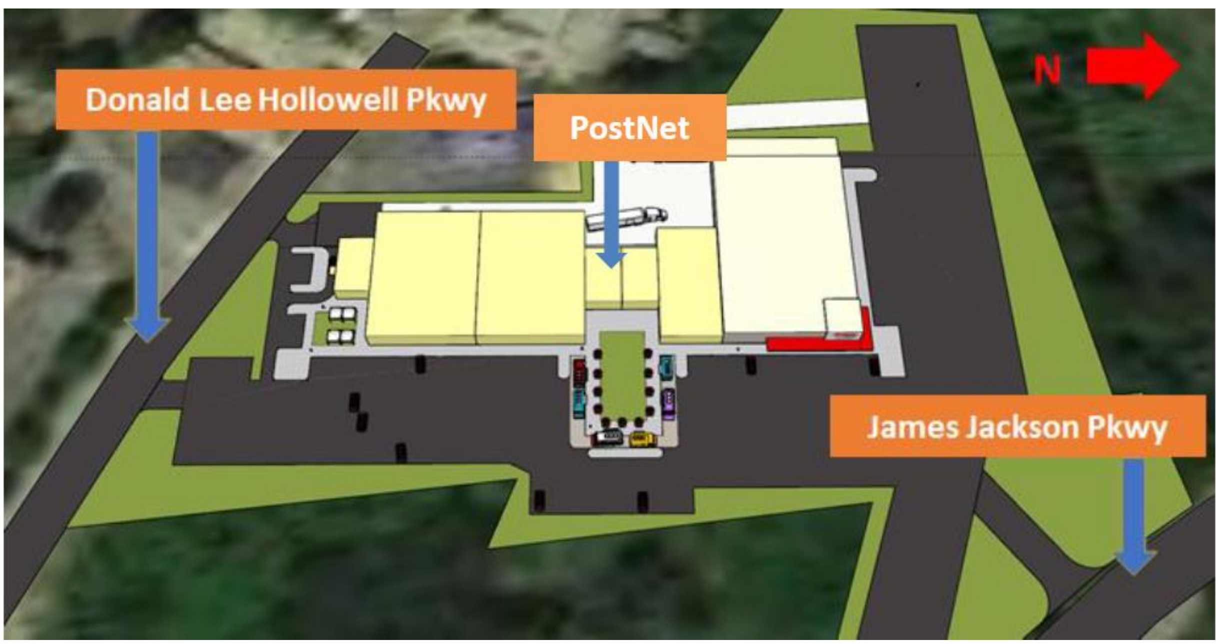


Figure 72. Proposed shopping center including seven franchises and two courtyards (adapted from Mark Sloan).

According to Gibbs (2012), the anchor business model can help support small businesses which co-locate with a much larger business that regularly attracts a great number of people. In this type of business model, the anchor business typically pays a greatly reduced rent or may not pay any rent at all. Instead, anchor businesses can focus on marketing. Through the marketing efforts of the anchor business, traffic is attracted to the shopping center and the businesses which surround the anchor feed off the increased exposure. These smaller businesses pay higher rents, and their rent is considered the gross leasable rent of the center. This produces a symbiotic relationship between the anchor and the smaller businesses.

It is through the success of the anchor that the smaller, surrounding businesses thrive. If the anchor performs strongly, then more people will be attracted to the shopping center and business opportunities increase. If, however, the anchor fails or moves locations, then this can spell disaster for the shopping center as a whole. Without the attraction and marketing provided by the anchor store, the smaller businesses can find it very difficult to remain successful. Therefore, once an anchor leaves, it is very likely that the smaller businesses will move shortly after or go out of business (Gibbs, 2012).

In the case of PostNet, the anchor business would be a large grocery store, Save-A-Lot. Grocery stores provide items that people need on a regular basis. Furthermore, the Donald Lee Hollowell corridor currently has a dearth of grocery options with healthy food options for its residents. Thus, it is reasonable safe to say that this anchor business would serve the unmet demand for quality food in the area and would steadily attract many residents in the area. PostNet's proximity to the anchor business will ensure more potential customers through increased visibility and pedestrian traffic.

Besides the anchor business, the other franchises in the shopping center can also drive profitability of the proposed PostNet. In an interview with Mark Nunn, a current PostNet franchisee operating in midtown Atlanta, it was revealed that PostNet derives a majority of its profits from other businesses as opposed to individual consumers. In addition, Nunn remarked that he prefers being located close to other small to medium size companies for the large orders they purchase (Nunn, 2016). The six other smaller franchises in the shopping center could presumably use PostNet for their shipping and printing needs. If PostNet receives contracts from several of the franchises in the shopping center, then this would represent a relatively steady source of income for the franchisee.

The proposed shopping center is configured in a straight-line orientation. That is, the storefronts are lined up side by side in a linear row with a parking lot shared among them. The straight-line shopping center is equitable in that it gives relatively equal visibility to all stores. However, straight-line shopping centers have the disadvantage of not being very walkable compared to other shopping center types such as a "U courtyard center" (Gibbs, 2012). This means that it would be most advantageous for PostNet to be located in a property as close as possible to the anchor supermarket. Fortunately, the proposed PostNet property is relatively close to the grocery store and also directly adjacent to the large courtyard. In this location, PostNet should be able to capitalize on a large portion or the shopping center's foot traffic.

Another criticism of the straight-line or "strip" shopping centers provided by Gibbs (2012) is that they are poor for "place-making," or creating a sense of a distinct, memorable location. Place-making of a shopping center could be improved through the placement of the central courtyard. This area would create a gathering place for local residents and can be landscaped and decorated to create a strong sense of place. In addition, the presence of food carts and pop-up shops along the perimeter of the courtyard would add a vibrancy and versatility to the space.

The shared parking lot is another feature of the strip shopping center proposed at the intersection of Donald Lee Hollowell and James Jackson. A shopping center with a shared parking allows the center to maximize the parking capacity by eliminating barriers between businesses. Using shared parking facilities could also encourage people to visit more than one business while shopping. Additionally, the parking lot could be used as space for community functions during non-business hours. Finally, a shared parking lot would improve flow due to the reduction in the number of ingress/egress driveways along the corridor into which drivers turn. The downside of shared parking is that one business can dominate all of the parking spaces and leave very few spaces for the other businesses. This could especially be an issue since the grocery store is so much larger than the other businesses in the center.

For PostNet, the proposed parking situation should not be an issue. In the interview with Mark Nunn, it was revealed that his PostNet in midtown Atlanta has zero parking spaces dedicated for consumer use. There is metered, curbside parking just outside his business which is shared with the other property-owners. He does have his own space for employees and can validate customer parking for one hour, however (Nunn, 2016). A shared surface parking lot therefore should provide more than the adequate amount of parking assuming that the parking needs are fairly consistent across PostNet locations.

PostNet Products and Services

This section gives an overview of the products and services sold by PostNet franchises. One main branch of the PostNet business model is printing. Each PostNet location has specialized, large-scale printing equipment which vastly outperforms standard, at-home consumer printers. PostNet can print specialty items such as business cards, letterheads, stationery, photo books, wedding invitations, calendars, and car magnets, as well as marketing materials such as fliers, posters, banners. PostNet also performs standard printing and can also handle orders with specific stapling and folding requirements (PostNet, 2016).

One of the most important printing-related services going forward for PostNet is the rollout of the online printing center. This technology allows customers to upload their items to be printed online, and then have the printed items ready for pickup or have them immediately shipped out. The online print center allows for easy re-ordering and simplifies management for the franchisee. In addition, it can be more convenient for the customers as they do not have to physically go to the store location to shop for printing services (PostNetFranchise.com, n.d.).

Another main branch of the PostNet business model is shipping. PostNet offers flexible shipping options, including both FedEx and UPS for ground shipping, and FedEx, UPS, and DHL for air shipping.. This is an advantage over FedEx or UPS stores which are tied down to one shipping option. According to their franchisee materials, PostNet can ship anything “from cars to valuable artwork,” which implies that PostNet can handle any type of shipping request that may be needed by consumers or businesses (PostNet, 2016).

Another service offered by PostNet franchises is graphic design consultation. According to their website, PostNet can design logos, business cards, and other business-related materials like brochures (PostNet, 2016). This type of creative work sets PostNet apart from competing companies such as FedEx Kinko’s which does not offer consultation on the design of these types of materials. The design consultation could certainly be a valuable resource to the Donald Lee Hollowell community if many new businesses move into the area as a result of revitalization over time. The new franchises would likely not be a part of this group however, as they presumably already have established brands with their own graphic design materials.

In addition to printing, shipping, and graphic design work, PostNet also provides other business services. Customers can rent out private mailboxes. This can offer a more secure mail solution for people and businesses worried about crime along the corridor. Also, many PostNets provide notary services to its customers (PostNet, 2016). Because the HVM corridor does not contain an ample supply of banks, a location where there is easy access to a notary service would certainly be valuable to those doing business in the region.

Cost of Opening a PostNet

The PostNet website for prospective franchisees gives a detailed overview of the total costs of opening a PostNet location. The initial franchise fee is $35,000 and is paid upon the signing of the Franchise Agreement contract. There are other lump sums which are paid prior or soon after opening however. These costs include a “Center Development Package,” an “Extra Center Development Expense,” security deposit fees, a “Miscellaneous Pre-Opening Expense,” a “Grand Opening Advertising Campaign,” and “Additional Funds.” In addition to these lump sum expenses, franchisees must also incur continual annual and monthly expenses. The recurring costs include property rentals which vary based on location, equipment rentals, and insurance (PostNet, 2016). In total, PostNet estimates that the total cost of opening a franchise location falls between $169,676 and $212,275. The upper range of the estimated costs is much lower than the UPS store, a competing franchise. To open a UPS store, franchisees should expect to invest between $159,224 and $434,521 (TheUPSStore, 2016).

These aforementioned fees, however, do not include the royalty fees paid by the franchisee to the franchisor. PostNet takes 5% royalty on gross sales and an additional 2% of gross sales for PostNet’s national advertising fund (PostNet, 2016). This makes a total of 7% of gross sales which go straight to the franchisor. While this figure seems high, it is up to the franchisee to determine if they can do enough business to afford to pay the corporate office this percentage of sales.

PostNet also provides support in acquiring SBA 7(a) loans. The franchise is even listed on the SBA's Franchise Registry. In addition, once a franchise contract is signed PostNet has dedicated financial analysts help franchisees with the loan process and with forming a sustainable business plan. PostNet is also a part of the IFA's VetFran organization, and due to this affiliation, veterans receive a discount of 35% on their franchise fees (PostNet, 2016). This amounts to a savings of $12,250. Because many veterans are from minority racial groups, the veteran discount has the potential to support minority franchise ownership in high-minority areas such as the HVM corridor.

Building Requirements

According to their franchising website, PostNet locations typically range from 1,000 to 1,200 square feet. They could go as small as 700 or as large as 2,000 square feet depending on context (PostNet, 2016). A location with higher business projections for example, would need a larger than usual facility. Specific information regarding the design guidelines for the PostNet buildings could not be found when researching this case study. Despite this limitation, studying different PostNet locations in the U.S. can give a reasonably clear idea of the similarities and differences among the franchise locations.

Figure 73 is an image of a PostNet franchise located in midtown Atlanta. As seen in the figure, the PostNet integrates seamlessly with the other businesses in the building. The unique geometry takes advantage of window space to place advertising to attract customers. Additionally, this PostNet was able locate on the ground floor of a mixed-use building with apartments on the upper floors. Figure 74 shows a different PostNet building in Waxhaw, North Carolina which is a part of a shopping center much like the one proposed in this case study. This PostNet shares the same design characteristics as the adjacent businesses with regard to the use of bricks and the window type. In this particular PostNet, the franchisee was able to differentiate itself from its neighbors through the use of a triangular entrance facade and white columns which are distinctly different than the any other business in that center. These varying examples demonstrate that PostNet franchises can maintain unique-looking designs in both shopping center and mixed-use development land use types.

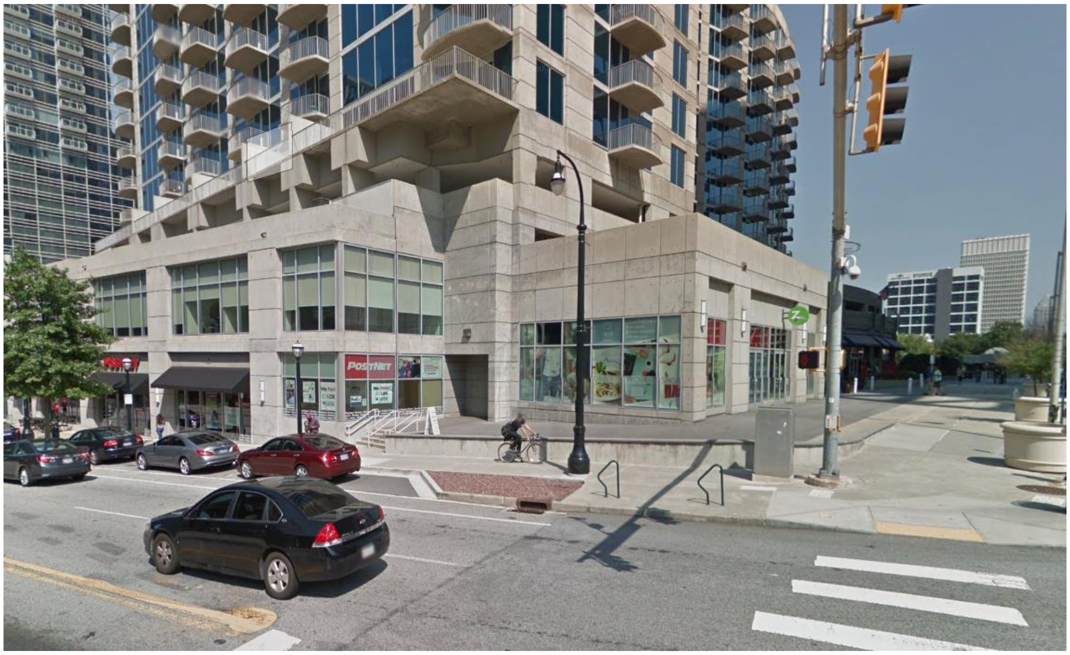


Figure 73. PostNet franchise in midtown Atlanta.

Figure 74. PostNet franchise in Waxhaw, North Carolina.

Employees

The number of employees at a PostNet franchise location will vary according to the size of the store and the volume of transactions performed. According to its website, PostNet stores which handle a high volume of business can employ four to six full-time employees including the franchisee (PostNet, 2016). Smaller stores do not need as many employees. Mark Nunn, the PostNet franchisee located in Midtown Atlanta, operates his franchise using only the labor of himself, his wife, and occasionally his son (Nunn, 2016).

Because the HVM corridor would be still in the early stages of revitalization when the proposed PostNet franchise opened its doors, it is reasonable to expect that the franchisee would only need an additional one to two employees. These positions could offer a source of employment to the unemployed residents living along the HVM corridor. Once more businesses open up along the corridor, an increase in business may necessitate the hiring of more employees.

Due to the nature of the printing, shipping, and graphic design business, employees would need to be trained to perform a wide variety of tasks that require technical expertise and a firm grasp of logistics. The people who do work at the proposed PostNet will gain valuable skills in both technology and in forming relationships with clients. Mark Nunn especially points out how his job requires a great deal of problem solving ability to meet the needs of his customers. He, like other franchisees, was flown to the PostNet headquarters in Denver, Colorado for two weeks to learn sales strategies, marketing techniques, customer retention strategies, and product information among other aspects of successfully running a PostNet franchise (Nunn, 2016). This information gained from training can be passed on from the franchisee to the employees of the store.

Because many of PostNet's customers are businesses, lines of communication between the franchise's employees and business professionals are crucial. As PostNet establishes itself in the community, PostNet employees will have the opportunity to develop deep relationships with nearby professionals through informal networking during business transactions. The relationship capital accrued during this process can potentially lead to further business opportunities for the employees and therefore provide a source of upward mobility for these workers.

Product Sourcing

PostNet's printing business requires both expensive, commercial printing machinery as well as a supply of different types of paper. Mark Nunn revealed in his interview that the printing machines are bought from large manufacturers such as Canon and represent a large initial expense when opening a PostNet franchise. Paper, on the other hand, is often locally sourced to reduce shipping costs. PostNet provides suggested vendors, but franchisees have the ability to choose from whom they receive their supplies (Nunn, 2016). When paper is bought locally, money remains in the local economy and bolsters other businesses in the area. Thus, PostNet has the potential to increase the local multiplier in the region.

Challenges

There are several challenges with the implementation of this case study. First, there is a perception of crime in the community that likely deters people driving through the corridor from stopping at stores along the way. While the shopping center is designed to be an inviting place with a modern urban design, it is difficult to predict if this perception will plague the project even after construction. Security measures may be needed to alleviate this issue. Perhaps the businesses in the shopping center could coordinate with the Atlanta police who have a precinct just a mile away from the site location.

Another challenge are the low incomes of the community. Because PostNet is currently moving headquarters during the research portion of this paper, it was not possible to receive exact demographical requirements for selecting a site. It is possible that PostNet may deem the corridor as having too low a purchasing power to make the store viable. This issue could be mitigated through the high traffic volumes along Hollowell Parkway. With a lively shopping center in place, PostNet could attract the business professionals traveling between Cobb County and midtown Atlanta, although this is not guaranteed.

Finding a willing franchisee could also be an issue. Because this is new development in an underserved area, there is much risk associated with the proposed project. This is combined with the fact that there is only one PostNet in Atlanta, and it has only been open for approximately a year and a half. Without a network of other franchisees with which to exchange notes and advice, attracting an enthusiastic franchisee willing to give the HVM corridor a chance would be a certain challenge.

Conclusion

In this case study, a PostNet franchise was proposed for the Donald Lee Hollowell Parkway corridor, an area in West Atlanta suffering from the years of disinvestment. The PostNet franchise would be part of a retail strategy in which a shopping center of seven franchises would be constructed at the intersection of Donald Lee Hollowell Parkway and James Jackson Parkway. Using modern urban design principles, the shopping center would be an asset to the community with its courtyards including food truck and pop-up shops. The franchising strategy also benefits from businesses with established trademarks and proven business models.

PostNet itself can spur effective economic development through local employee hiring, employee training, and the local sourcing of paper products. The ability for PostNet to make a profit and stay in business will depend on its ability to attract business within HVM corridor region, as well as the commuter traffic along the corridor. PostNet would most likely be heavily invested in the community since it is a business services center. The more businesses that are built and maintained in the area, the bigger the potential customer base could become..

Case Study #5

Franchise #5: HABITAT FOR HUMANITY RESTORE by Mishele Ijaz

Donald Lee Hollowell Parkway

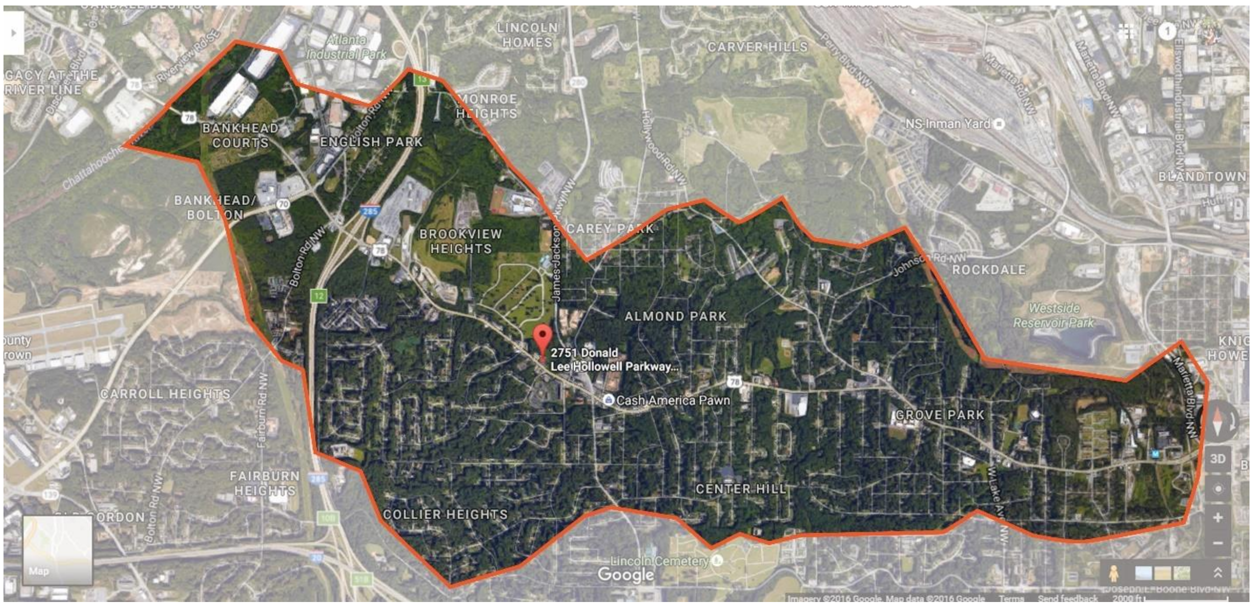


Figure 75. Donald Lee Hollowell Parkway.

The proposed study area for this paper is Donald Lee Hollowell Parkway, an urban corridor in Atlanta, running along both sides of I-285, populated mostly by food joints, gas stations and family dollar businesses. While there is some pedestrian activity near the shops, traffic is mostly in the form of cars and trucks. However, with I-285 acting as its spine, and its popularity as a transit corridor, it serves as a good study area for innovative revitalization practices.

The parkway consists of three major sections, the in-town, the industrial, and the suburban. The in-town stretch will be the focus of this study, as it has a relatively higher traffic count and more pedestrian and bike activity. Compared to the rest of the corridor, it is closer to and more accessible to the surrounding neighborhoods. Since Hollowell parkway is an arterial road, this proximity to households allows for the potential creation of collector streets to facilitate mobility development along the parkway.

The parkway seems to have an inadequate level of services for the 61,750 residents that live within a 3-mile radius. Detailed demographics are presented in Figures 76 and 77 (Sizemore Group, 2010).

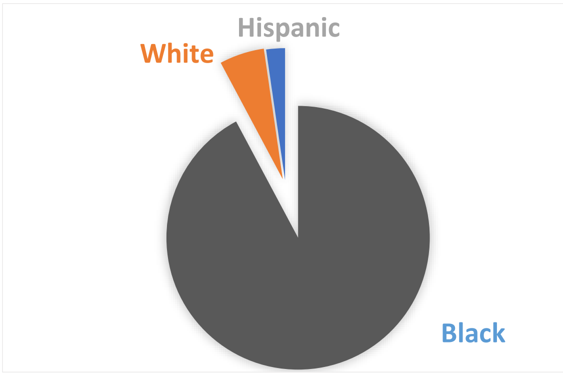


Figure 76: Race.

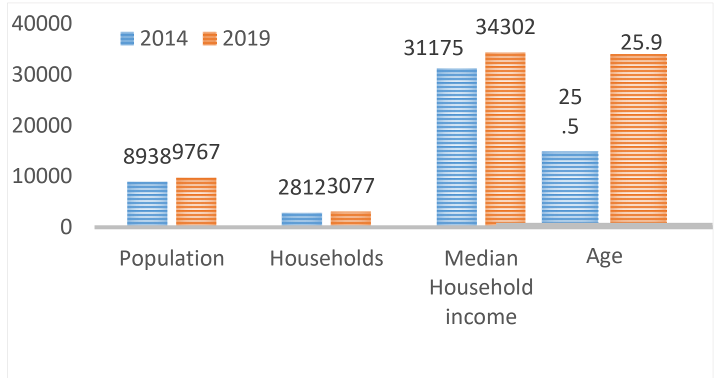


Figure 77. Demographics.

Most of the available shops and services are either in the form of small fast food chains or auto-parts/mechanic services (see Figure 78), and there are no major chains that sell a wider variety of goods. A large portion of workers, as displayed in figure 79, are employed in the service, manufacturing, or retail industries.

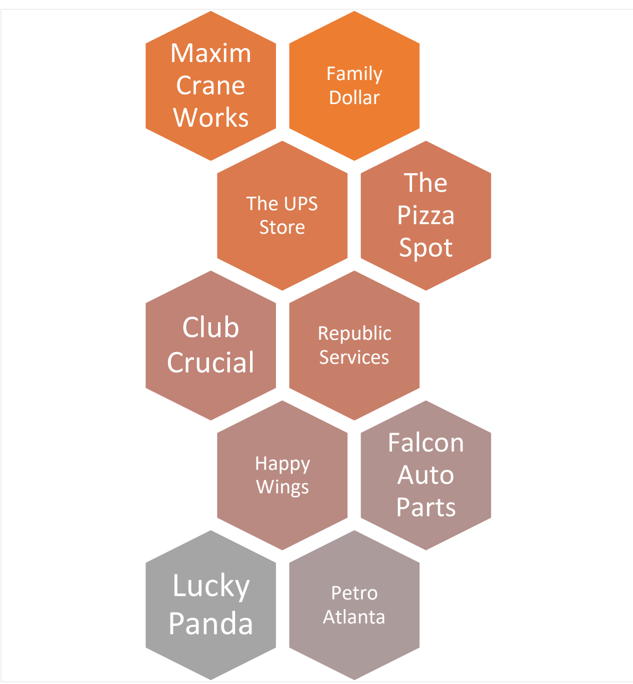


Figure 78. Some of the existing businesses.

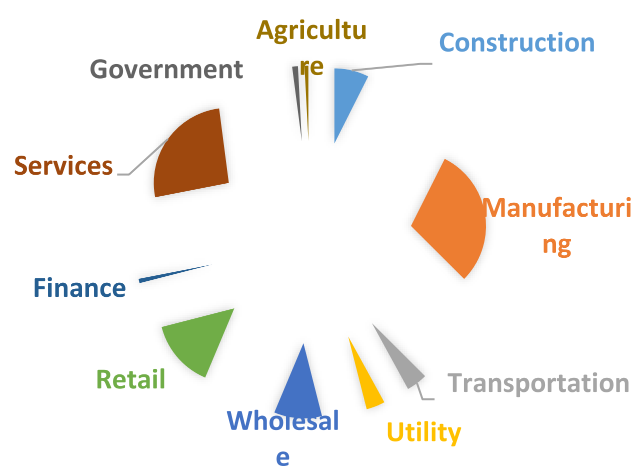


Figure 79. Employment by industry.

Challenges

Some of the challenges present in this corridor overshadow its purposefulness for new businesses. Because of a large number of under-utilized and vacant properties along the road, the area seems abandoned and unsafe. Due to lack of services such as big grocery stores or entertainment centers, people do not frequent the area in high numbers, which leads to a diminished sense of ownership and responsibility of the space.

A major incentive for any new business is to locate near an area that with relatively high average household incomes.. In the case of Donald Lee Hollowell Parkway however, the median household income is low, around $31,000, which means that residents would not be able to afford to shop at high end businesses. These characteristics pose a series of issues for those working towards revitalizing this corridor. Proposed businesses must be tailored to fit in well with what the parkway does have to offer, despite its aforementioned drawbacks.

Opportunities

What sets Donald Lee Hollowell Parkway apart is its proximity to I-285, coupled with a future connection to the Atlanta BeltLine. It experiences a high volume of traffic every day, with most of the vehicles using the corridor as a commuter route. This characteristic could be exploited to setup services that would attract not only the residents of this area but also commuters who pass by on a daily basis. This would greatly increase the pool of customers and increase the likelihood of attracting businesses.

While high vacancy does make the area less appealing, it also acts as an incentive in terms of affordability; the higher availability of land reduces its value and sale price. The quality of existing infrastructure is questionable, however, and should eventually undergo major upgrades.

Potential Franchise Types

In an LCI study conducted by the City of Atlanta and Cobb County in association with the Atlanta Regional Commission, the surveyors questioned members of the surrounding neighborhoods about their aspirations for the region. Some of the most common answers included the need for a 'face-lift' for the area. Due to the blighted feel of the parkway, they felt new businesses were reluctant to locate there. A common demand was for development that created a place with a 'sense of arrival.' No existing site on the parkway acts as a catalyst to attract either people or businesses.

Keeping the concerns of the community in mind, along with the physical characteristics of the parkway, potential franchise types are:

- <u>Grocery:</u>
  A major grocery store would act as an anchor store for the parkway. It would address the need for a greater variety in price and product for the residents of this area.
- <u>Entertainment:</u>
  An entertainment service would act as a magnet, as well as encourage an influx of

revenue from visitors. It would especially appeal to commuters who use the corridor to travel to and from work, since an entertainment space could offer after-office activities.

- Educational/Training Centers
  With the median age of residents being 25.5, the young people in the parkway area, given the aid and opportunity, could form a highly successful workforce for the economic revitalization of the region. The introduction of services targeted at helping these residents, albeit costly to initiate, would prove beneficial in the long term.
- Social Benefit Businesses
  Businesses such as these work specifically to advance underserved areas. They run on a philanthropic model and invite money from external sources to be invested in the region. Members of the community should take part in the process, whereby businesses and residents work towards the same goal.

Habitat for Humanity - ReStore

It is important to note that a single business is not enough to set in motion the revitalization process of the entire corridor. The right combination of various types of suitable businesses is needed in order for the community to benefit from their location.

ReStore is a component of a larger body called Habitat for Humanity, whose founding principle is to 'help homeowners build their homes and create a world where everyone has a decent place to live' (Habitat for Humanity, 2016). The company expanded from building homes to opening up a retail business titled 'ReStore.' The store 'sells new and gently used furniture, appliances, home accessories, building materials and more to the public at a fraction of the retail price' (Habitat for Humanity, 2016).

Within Atlanta, Habitat for Humanity aims to 'open 300 to 400 new ReStores in the next five years - potentially generating $1 billion in gross revenues and between $300 million and $400 million in net income' (Habitat for Humanity, 2016). Apart from the businesses' interest in expanding, it is also a suitable option for Hollowell Parkway because of its mission to 'transform communities by acting as a catalyst for neighborhood revitalization' (Habitat for Humanity, 2016), a vision that correlates highly with that of the parkway's residents.

In Atlanta, each store is run 'like a franchise, running its own operations, raising money and support and building houses with help from the mother organization (Atlanta Habitat for Humanity, 2011). Habitat for Humanity does not share the costs of operations publicly, and therefore will not be a part of the study detailed in this paper.

Site selection process

Before further impacts are assessed, it is important to understand the circumstances under which a ReStore decides to locate to a site, and in doing so, to analyze ways in which Hollowell Parkway serves to cater to their requirements. The process is detailed below as a series of phases, per the information provided by the Operations office of ReStore.

<u>Site Area Requirements:</u>

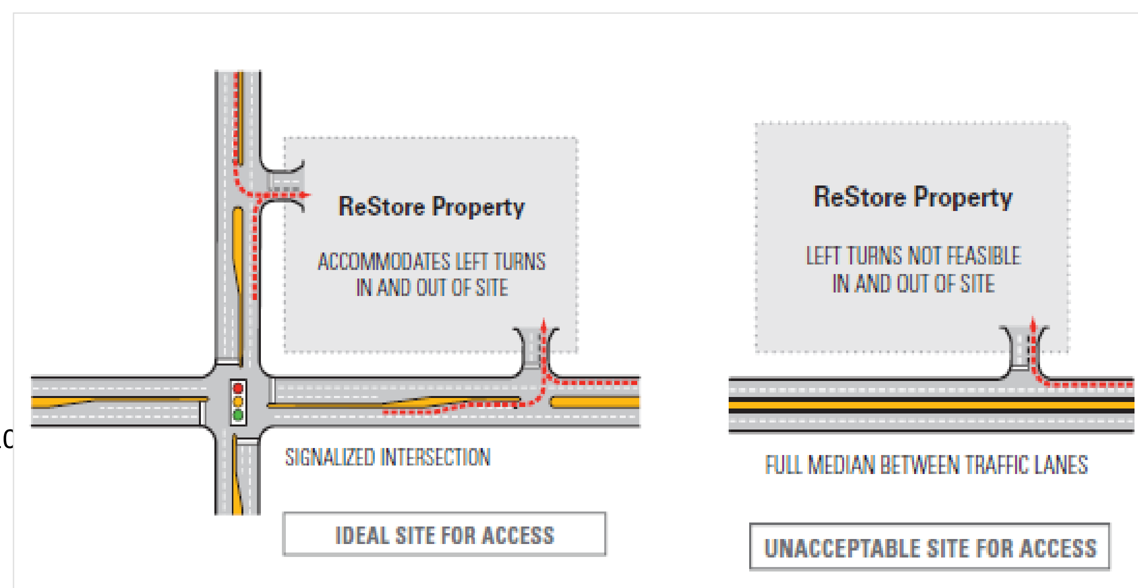
Before committing to locate to a region, ReStore staff conduct studies to ensure the area meets their requirements. In the case of ReStore, the region must experience a high traffic count and be easily accessible, and Hollowell fulfils both these requirements. ReStore prefers a general lot size of between 15,000-20,000 square feet and to locate in areas that do not have multi-story buildings, as tall buildings interfere with visibility.

ReStore also considers spatial proximity to potential consumers and donors, which correlates with the characteristics of the selected study area, the in-town section of Hollowell. They also prefer being near other retail stores, which requires paying more for land.

A drawback of Hollowell is its perception as being unsafe; ReStore prefers locating to regions where their female customers would be comfortable shopping. However, by in locating along Hollowell, ReStore has the potential to generate a safer image for the area. When constructed, they require their building to be well-lit at night, a policy that further facilitates a sense of security in the immediate surroundings of the ReStore site.

<u>Lot Requirements:</u>

Within a specified lot, ReStore requires certain configurations, detailed in Figure 80. They require ease of circulation in and out of the site, which means a corner lot, or one with access to both a main street and a secondary street. A corner lot also allows for the shop to be viewed from two different angles, enhancing its visibility.



The store can either be the only building on site, or be part of a multi-tenant system. Each configuration has its own merits; a free-standing site allows for smooth circulation of donation and equipment trucks but a multi-tenant site, especially one with other retail, attracts more foot traffic. The qualities of both will be discussed further as the sites are specified. Within each, however, ReStore requires certain standards to be met, displayed in Figures 81 and 82.

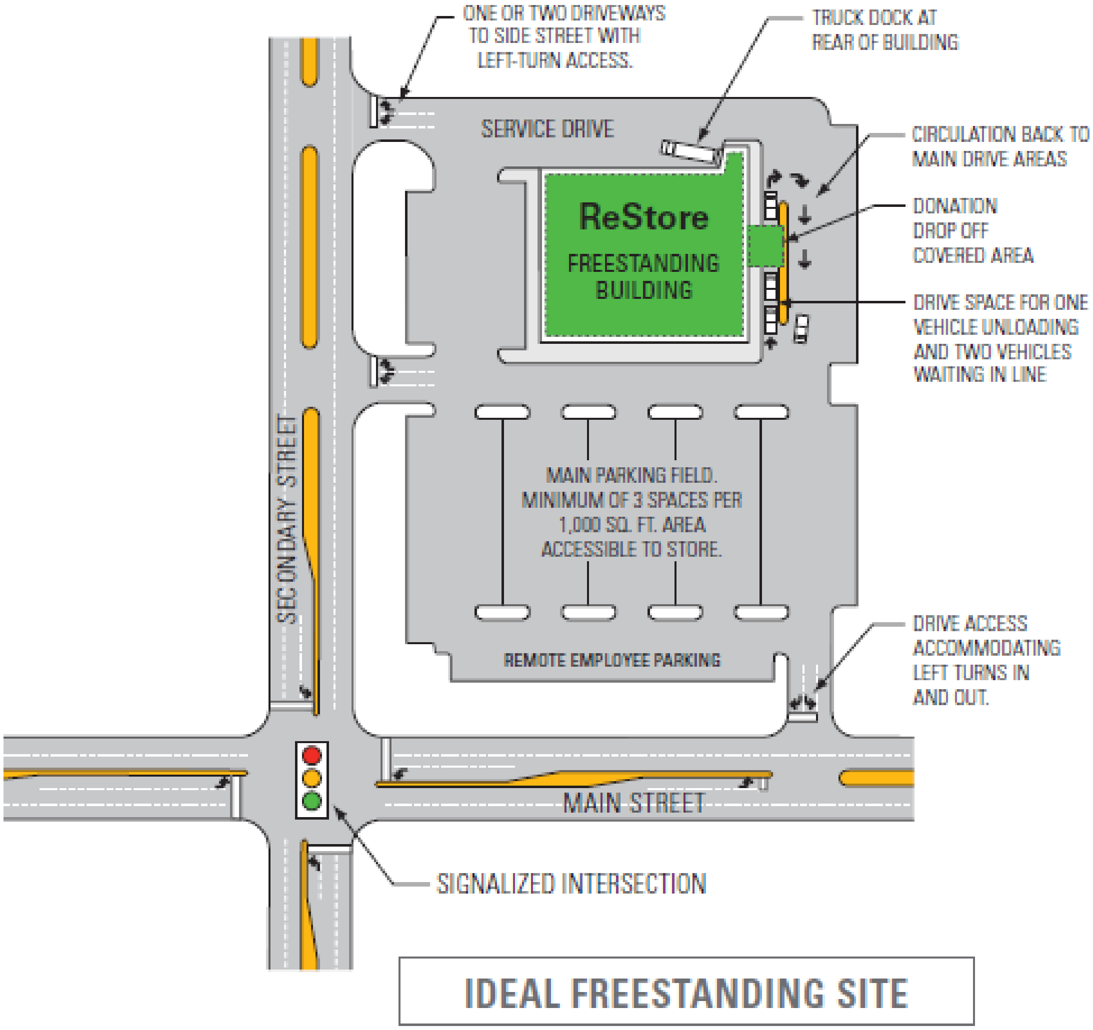


Figure 81. Ideal free-standing site (ReStore, 2011).

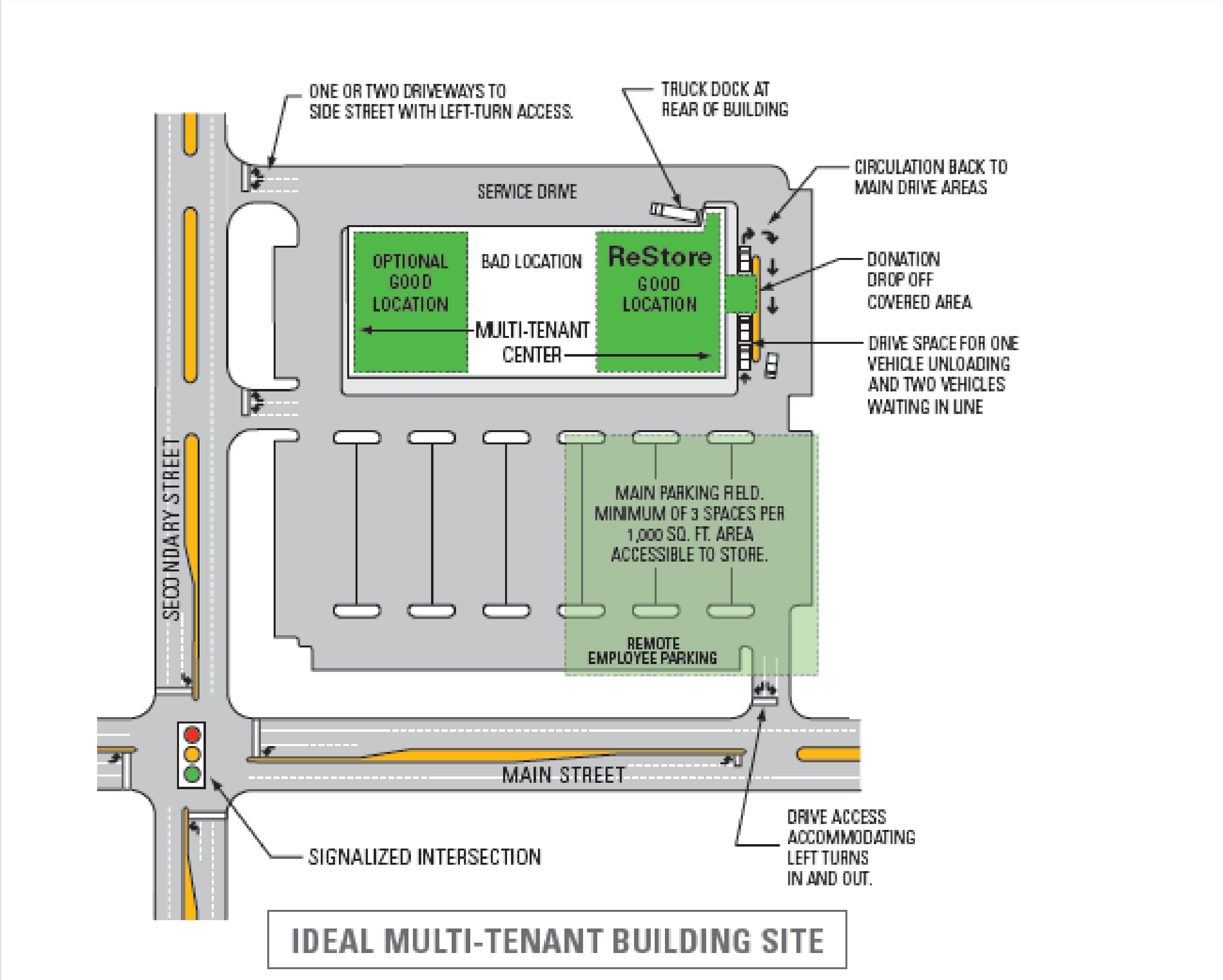


Figure 82. Ideal multi-tenant site (ReStore, 2011).

Both configurations require a minimum of three parking spaces for each 1,000 square feet of area, a donation drop off section, an unloading dock and proper access in and out of the side. In the case of the multi-tenant design, however, an additional concern is that of placement among the other stores. Since circulation is more important than visibility, placement at the end lot is preferred.

Even with the given requirements, ultimately each site is evaluated based on the local context. The site may not, and does not, have to check all the boxes; certain incentives outweigh others depending on the given situation.

Potential Sites

Keeping in mind the requirements listed above, and an overall assessment of Hollowell Parkway, two sites stood out as potential locations for ReStore (see figure 83).

Figure 83. Potential Sites.

Figure 84. 3-D concept of proposed shopping center (Mark Sloan).

The first site is in a shopping center with multiple retail services. It will house a major grocery store known as Save-a-Lot, which acts as an anchor for all other services on the site listed below:

- Dunkin Donuts
- Club Entrepreneur
- PostNet
- Freshii
- Pearle Vision

ReStore benefits from locating on this site due to the high volume of services present there; this multi-tenant site has the potential to develop as a future magnet and create the 'sense of arrival' for the parkway. However, the available lot size on this site is 10,000 square feet, smaller than what ReStore prefers, and the available location is between two stores, which may disrupt the circulation patterns required by ReStore. However, the foot traffic and location in a potential magnet are high value incentives and may outweigh the other factors.

Figure 85. Alternate proposed location for ReStore.

The other possible site is located just off I-285, where it intersects with Hollowell Parkway and connects with a neighborhood south of the parkway. It is a corner lot, and meets both the accessibility and visibility requirements of ReStore. It is not, however, near a dense retail area so the foot traffic would be much less than the first option in the shopping center.

The closest potential anchor to this site is a shopping center and fast food chain (Burger King) across the road. With adequate investment and marketing, the junction could be revitalized to attract customers, as well as provide incentives for better pedestrian infrastructure to be developed as a means of better connection between the two sites on either side of the parkway.

Both locations have their own merits and disadvantages. A cost-benefit analysis along with a detailed study of the impact of the proposed shopping center at the multi-tenant site would help make the location decision.

Economic Development Outcomes

One way that ReStore stands out from conventional retail is the way by which it receives and distributes funds. Whereas in a typical business, a developer would look to incite businesses with higher profit margins or proximity to higher-income neighborhoods, ReStore chooses to locate in areas accessible to a diverse range of socio-economic classes and does not depend on a higher profit margin. Its very goal is to provide accessible services (related to housing) for all the members of the community, and does so by attracting a large pool of donors and selling low cost, high quality products to consumers.

In Atlanta, the presence of Habitat itself has generated construction of 41 homes, engaged 10,336 volunteers, and provided a range of training and education services for families (see figure 86).

Habitat is known for locating in safe areas, and is associated with the image of philanthropy and Hollowell would benefit from having a store with these well-known characteristics. A better image will attract a wider range of users, including children, women, and tourists. A wide range of consumers is an attractive selling point for potential businesses wanting to target various types of consumer groups.

Additionally, ReStore is a destination point for members of higher income classes, who make up most of their donor pool, as well as a destination point for members of lower income classes, who are their target consumers. One of the redeeming qualities of any urban region is the presence of members from diverse economic backgrounds. With ReStore inviting greater diversity to Hollowell, it may stand out to businesses seeking such a mix. A site which attracts both types of income classes experiences greater freedom in the sort of businesses it can select for development. It removes certain limitations that exist as a result of a narrower range of consumers, and allows for more experimentation, which could potentially lead to an innovative development scheme and provide a competitive edge to Hollowell Parkway.

In a typical store, ReStore hires around six employees, giving six local residents employment opportunities when the retail moves to a community. Because ReStore does not publicize their costs or wages, the economic impact of these jobs could not be determined. One can only assume based on the model by which ReStore works, they would provide their employees with adequate benefits.

One of the things ReStore does when locating to a site is identify areas that require their support, and in the process, build a critical mass of volunteers. With residents of a median age of 25.5, Hollowell Parkway could provide the required volunteer pool and get residents get involved in the community development process and improve their sense of social responsibility and ownership. This not only creates a sense of responsibility towards their city but also educates them on how development works, and an educated neighborhood in turn helps future businesses transition smoothly into the community. Also, a lot of the time the people ReStore helps end up volunteering for them as well, creating a cycle that keeps the volunteer pool active.

"I still volunteer from time to time. I feel like I can't just walk away from Habitat. People helped me out, so I need to continue helping other people" (Atlanta Habitat for Humanity, 2011).

In its 28 years of working in Atlanta, the networking relationships Habitat for Humanity has formed benefits the locality it moves into. Hollowell Parkway can expect to gain much from this, as Habitat has the potential to attract businesses it has previously worked with or received donations from. It acts as a catalyst for further investment or development, one of the things needed by Hollowell Parkway.

"ReStore is the face of Habitat in the community. The product we sell are sold at prices dramatically below retail. The funds we raise help support our Habitat work in the local community and around the world. ReStores keep 1,000's of tons of useable product out of landfills each year" (Drew Meyer(Senior Director, ReStore Operations Group).

Not only does ReStore tackle economic and structural issues in the community, they also aim to conserve the rate of wastage produced, thereby running a model that seeks to provide environmental benefits to the community as well. They encourage recycling of materials, reducing disposal of products that traditionally would be simply dumped into landfills. With the idea of 'sustainability' gaining much attention across various platforms, businesses that align with this ideology are moving up the economic ladder faster than those who don't (Chouinard, Ellison, and Ridgeway, 2011). Since recycling and carbon footprint measures are now considered in quality assessments, locations that promote such ideals attract the type of businesses and retailers that value these principles.

The location of ReStore along the parkway goes beyond providing monetary benefits. Intangible community impacts of ReStore , including a safer image and greater sense of ownership to the community, are just as important as offering basic home products at affordable prices.

Case Study #6

Franchise #6: CLUB ENTREPRENEUR by E. Alexander Gothard

A Vision for the Future

The question remains, can a franchise development strategy be supported in this underserved area, and will the underserved area support the franchises? Even if a potential franchisee wanted to get a loan to put a well-researched franchise on the corridor, either directly from the bank or with the assistance of a loan program, it would require the entrepreneur to partner with a financing institutions. In partnering, the business would have to first find a local financial institution, and unfortunately there are none directly on the Hollowell Parkway corridor. Any willing entrepreneur would have to go outside of the area to secure a loan, which in turn detracts from the economic bASE model and contributes to further economic leakage.

The Proposed Hollowell Parkway/Veterans Memorial

With a median age of only 25.9 years, which is much younger than median age of Atlanta (33.9), the leaders of this corridor have much to resolve when deciding the future of this area. According to the LCI study, there was a24.8% unemployment rate in 2009, which has come down to 17.1% in recent years. That is still much too high, and contributes to the low median income of $28,333 (Livable Communities Initiative, 2009).

In order for the Hollowell Corridor to grow in a sustainable manner, leaders need to figure out a way to help lift people out of poverty. A thoughtful and tailor franchise strategy would slow economic leakage, foster economic multiplication, and serve as a catalyst for investment and business development.

Club E as a Solution

Club E will be all of these things and then some. It will create the 'sense of place' that this community so desperately needs, and it will eventually lead to a place that is economically thriving and eventually safe from crime. If people are given the opportunity to excel in a safe environment and receive necessary education and training, their chances of success become much greater, as do the chances of success of the community.

Club E, which is short for Club Entrepreneur, is a global and online network that connects entrepreneurs to financial and supportive resources that they need to start, develop, and grow their business. According to their website (clubeatlanta.com), the mission of the club is to create a new paradigm in entrepreneurship and promote business concepts in the community. They seek to help build a strong local economy through providing opportunities for education, collaboration, and implementation among its members (2016).

Club Offerings and the Youth

The club offers both individual and co-working space for between $25 and $400 per month. The lower end of this range comes with shared working space and access to all of the resources that Club E offers. The higher end of this ranges comes with all the same amenities as the lower end, along with private office space. One of the major concerns for this operating model is that people of this area may not have the income or discretionary funds to be able to pay a regular monthly fee for use of the facility and for the classes. Club E thought about this road block and had the foresight to create the EpiCenter Endowment Fund to help those in the community who may not be able to afford space on their own. Club E also offers youth the opportunity to be a part of the Young Entrepreneur Society (Y.E.S.).

Club E gives the youth direct access to the experience and training they need most. One of the best known programs operated by Club E is the Copy Center program. The center is operated like any other business, with the only difference being that the executives are 10th, 11th and 12th graders. The youth participants serve in the roles of Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), and Chief Technology Officer (CTO). This could replicated in the location in the Hollowell Parkway Corridor, giving youth the experience they would not gain anywhere else.

Providing an Opportunity through Benevolence

There are thousands of young people who look at this poverty-stricken area and see no prospect for a prosperous future. They tend to become followers instead of leaders and perpetuate the cycle of poverty and victimization that already plagues the corridor. Club E gives the current and future leaders of this community the opportunity to gain skills and experience to move on to higher education or good jobs.

According to Club E, they call this their benevolent side. Part of their mission reads, "The purposeful side of Club E is to give back to the community by helping to develop the citizens into successful business people through education, training, and financial support. Our primary mission is to offer the youth an opportunity to learn about entrepreneurship first hand through various interactive programs." Club E recognizes that the community's success equals their success. They employ a business strategy that embraces true long term sustainability. Club E is able to do this because they are not a turn-key franchise and they mold themselves to fit the need of the community. Currently, Club E has locations in both Phoenix and in Atlanta (College Park). They employ a baseline model at both of these locations that includes incubator space for start-up businesses, a mentoring program that allows neighborhood kids to sit with and learn from member entrepreneurs, various business class offerings and events, and the Copy Center concept.

Club E Membership and Incubation

The incubator space is where Club E makes the majority of its revenue and makes this concept profitable for an investor or franchisee. Currently, Club E in College Park has a diverse array of businesses that call Club E their home. A few of those businesses are:

- The Bridge Academy (serves young adults between the ages of 18 and 24 who have not been successful in traditional schooling)
- Alternative Business Finance Strategies (provide working capital and other finance solutions to small- and mid-sized businesses)
- Driver's Threads (offers one stop shop for uniforms to taxi, limousine, and other drivers)
- Irish Titan (technology company that focuses on e-commerce, complex websites, and digital strategy)
- Levi Marketing (advertising company that seeks to build a bridge between client and customer)

These are all businesses that participate in the mentoring program that allows community youth to sit with and learn from real life entrepreneurs. Whatever the career interest of the youth, they have an opportunity to gain first hand industry knowledge at Club E. Not only is this an amazing opportunity for the community youth, it is also a great opportunity for area start-up businesses to gain both cross-functional expertise and to increase local economic vitality through the recycling and multiplication of the local dollar.

Collaboration and Economic Multiplication

. To operate any business there will be a requirement of capital, and sometimes that capital is difficult to come by, especially if there are no banks in the immediate vicinity (as is the case on Hollowell Parkway). Lucky for The Bridge Academy, one of the examples above, it has to look no further than its own facility to find Alternative Business Finance Strategies. This is a company that specializes in securing capital for businesses that would otherwise have difficulty in obtaining it. In this case, not only is Alternative Business Finance Strategies helping to start and/or sustain a business, it is providing a service that this immediate community would otherwise not have access to, while keeping dollars in the community. They are serving as an intermediary and helping to provide a needed service to the neighborhood. These two businesses represent only two of the dozens of small corporations that call Club E in College Park home. The facility to be located on Hollowell Parkway would be similar in concept, but would focus on addressing challenges specific to that area.

The Hollowell Club E

The building would be 10,000 square feet, and would also include a vocational training space (different from College Park) in order to adhere to the suggestions of the Hollowell Veterans Memorial LCI study. A smaller portion of the space would be used as the vocational training center and would serve several purposes. As this corridor is not far from the Georgia Tech campus, it would serve as a robotics training center for local youth in a partnership with the school. It could also act as a refurbishing center for cell phones and provide a skill to neighborhood residents. Also in the vocational space would be an infrastructure repair training workshop offered to local residents. This will be the most important component of the vocational space in that infrastructure has been noted as a priority among local elected officials and the new President-Elect Trump's federal administration. According to the Fulton County website, just this past November, a referendum was passed for a Transportation-Special Purpose Local Option Sales Tax (T-SPLOST) in which the City of Atlanta is expected to generate nearly $300 million for transportation projects in the metro region over the next five years (2016). Area leaders and elected officials have an obligation to ensure residents from the corridor are prepared for the new jobs that this new funding will provide. Club E will be the training ground for their preparedness.

Providing a Sense of Place

As of now, the various Neighborhood Planning Units (NPUs) meet in the very small and cramped police substation on Hollowell Parkway. This does not make for the most welcoming and comfortable place to meet. The new Club E could serve as a meeting space for neighborhood organizations, including the NPUs, Emerald Corridor Organization, Westside on the Rise, and for residents in general to discuss important topics such as code violations and crime in the area. In addition to serving as meeting space for civil issues, Club E can also serve as space for professional clubs.

Currently, Club E holds regular meetups for digital marketing, 'Shark Tank-like' entrepreneurship training, auditions for youth acting, and many more [see attachments]. Also, Club E can act as the midpoint that brings everyone together to showcase and market the area to other investors.

In College Park, Club E hosts happy hours for various causes. Eventually, one of the meetups could mold into a local area chamber of commerce to further increase the velocity of economic activity and vitality. Even if the corridor decides to implement Club E, there will still be several challenges, however.

Challenges, Costs and Opportunities

Little progress has been made since the LCI study was completed in 2010. This could be due to a significant amount of political apathy on the part of the area residents. They have seen little change over the years and they don't know where to begin in attempting to hold their government accountable. If community leaders and investors choose to pursue this project, the price tag will be considerable. According to Bob Johnson, one of the investors in Club E, the total cost to build the facility was nearly $1 million. This included a $150,000 grant from the Small Business Administration (SBA), as well as $800,000 chipped in from private investors. Club E will also face some competition from nearby competitors, such as Atlanta Tech Village, General Assembly, and Tech Square Labs. All of these facilities serve as incubators to nearby businesses, but are not modeled to serve the community with the same capacity as Club E. Several opportunities will also be presented with the addition of Club E on Hollowell Parkway.

The ideal location will sit at the intersection of James Jackson and Hollowell. It will not only include Club E, but also several other franchises that include Dunkin Donuts. This location could regularly host happy hours for various causes and it could help early businesses to save money by pooling their resources together. It could also work with surrounding businesses. For instance, Save-A-Lot, one of the stores in the proposed development, could hire a graphic designer from Club E to market the business, thereby increasing the economic multiplication of the dollar.

Cleaning up the Corridor

Club E will serve as the catalyst for this corridor in laying the foundation for a strong economic base. Businesses will incubate and will grow from this location. Once a business builds success, it could move into an unused storefront property in the area. This would reduce vacancy and provide community members with more opportunity for employment.

Club E is the catalyst for creating the community of tomorrow. According to Atkinson, Levin, McKay, and Williams (2014),: "LMI entrepreneurs face unique hurdles that can prevent them from successfully growing wealth through their businesses, including low savings, constrained access to capital and limited access to business development services."

Club E gives low- to moderate-income entrepreneurs access to solve all of these challenges. Garmise (2006) sums up the solution and ultimate purpose of Club E when she explains what communities should be attempting to do in building a strong economic base:

> *"Develop and strengthen intermediaries as system entrepreneurs. Intermediaries serve this role by brokering information to craft new understandings across the labor market, leveraging and linking resources…advocating for change, and bridging across sectors to create new opportunities"* (Garmise, 2006).

Case Study #7

Franchise #7: DUNKIN DONUTS by Minye Wang

Characteristic of Donald Lee Hollowell Pkwy

The geographic analysis of Hollowell Parkway

The Donald Lee Hollowell Parkway starts from Northside Drive NW on the east side and ends at the Perimeter (I-285 Highway) on the west side. The whole area is on the west side of Atlanta beyond the central rail areas. It is a high-flow traffic route from the downtown area to the suburbs towards the west. Along the road, there are reservoirs and parks. There are no huge hills along the Hollowell Parkway and all the buildings are visible to automobiles if they are not blocked by trees. The current situation of the pedestrian sidewalk and green space is not ideal, but there is enough room for the future development.

Socio-economic analysis of Hollowell Parkway

According to the LCI study, the 2014 population of the researched area is 8,938. The community has 92.1% black, 5.5% white and 2.3% Hispanic inhabitants. The density of this area is quite low compared to other areas near the central city. It is around 2,384according to Social Explorer statistics. Socio-economic statistics indicate that this is a low-income community. The unemployment rate is estimated to be 17.1%. The rate of residents less than 55 years old is 75.6%, and the median age of the group is 25.9. With high unemployment rate and young age group, there is a large potential workforce for future development. The education level of the local group, however, is not enough to develop high-skill jobs. Thus, the training for low-skilled jobs might be necessary for local development. The median household income is around $31,175. The low-income neighborhood could be a barrier towards attracting new business to this area.

The study area of Hollowell Parkway is a tax allocation district (TAD). One of the goals of the TAD is to maximize the tax revenue potential of the area while achieving the aims of the Hollowell/ M.L. King Redevelopment plan (Hollowell/M.L. King Redevelopment Plan and Tax Allocation Districts, 2006). The Tax Allocation Districts is a public financial tool for a certain redevelopment areas. TAD funding is gathered from the increases in the area’s ad valorem taxes levied by the county and the school system. There are several successful TAD districts in

Atlanta with TAD bonds from $15 million to $1.5 billion. Some of them obtained pretty good results in redeveloping the local economy.

Hollowell Parkway is considered as one of the design areas in the 2015 goals of the Atlanta Unified Planning Work Program. A plan for Donald L. Hollowell/ M.L. King Redevelopment has created a possibility for priority redevelopment in both Atlanta and Cobb County. It is also available as a park and transit-oriented area. Proposed by Emerald Corridor Foundation, the target area will connect with the Beltline. There are several green spaces along the Hollowell Parkway including one reservoir park. The green areas could be linked together with other areas, all the way to the Chattahoochee River. The park and transit-oriented area is a potential opportunity for neighborhood sustainable development.

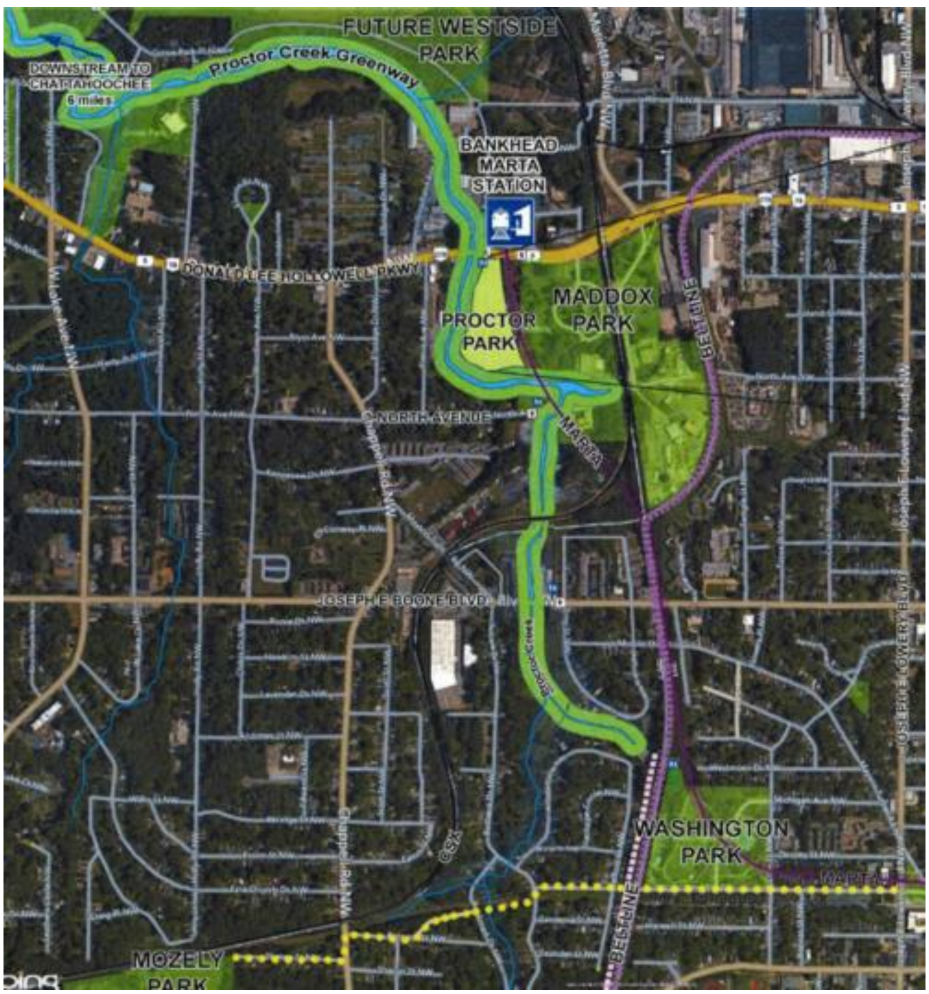


Figure 87. Park and TOD plan (Emerald Corridor Foundation).

Case study of a TAD district

Atlantic Station is one of the most famous TAD districts in Atlanta. Atlantic Station is renowned for its “live-work-play environment,” based on a mixed-use New Urbanist and transit-oriented model of development. The City of Atlanta allocated $170 million in tax increment financing for the redevelopment. The majority of investment is still based on the private sector. After the renewal process, the retailers now generate nearly $30 million in property taxes a year with thousands of new jobs.

Development Phase	Cost (million)	Source of Funding
Phase I (2002)		
Roads and Utilities	$30	Tax Allocation District (TAD)
Environmental Remediation	$25	TAD
Capping (Environmental)	$25	TAD
Right-of-way	$50	Developer
Parking	$30	TAD

Development Phase	Cost (million)	Source of Funding
Bridge	$50	State/Federal
Total Phase I	$210	
Total Phase I TAD Contribution	$110	
Phase II (2005)		
Roads and Utilities	$15	TAD
Parking	$15	TAD
Total Phase II	$30	
Total Phase II TAD Contribution	$30	
Phase III (n.d.)		
Roads and Utilities	$15	TAD
Parking	$15	TAD
Total Phase III	$30	
Total Phase III TAD Contribution	$30	
Total TAD Contribution for Atlantic Steel Project: $170,000,000		

Figure 88. Atlantic Station TAD Contribution (Institute for Environmental Science and Policy).

Local need analysis for demand and supply: current supply along Hollowell Pkwy

Along the Hollowell Parkway, the atmosphere is quite different from other corridors. The road is filled with low-income single family housing and automobile-related services. Some fast food restaurants are located along the highway, but most of them face away from the road. There are also numerous hair salons in the area. There remains a basic need for pharmacy, food supply, and gathering spaces. Residents living in this area can only get a sufficient supply of groceries from outside the area.

Demographic needs analysis

Many fundamental services in this area are inadequate and inefficient. There is almost no public rail transportation along the corridor except one MARTA station. Automobiles are still the most important transportation tools but many of the the low-income households would have difficulty affording a car. The retail market is not enough, especially given there is no brand recognition or complete business district. The businesses along the Hollowell Parkway mainly focus on automobile-related services and a few low-priced fast-food restaurants. There are almost no quality physical spaces where retail businesses can locate within this area.

Retail and Service gap

The target area lacks various kinds of retail services. There is also not a good space for residents living nearby to gather. In Jan Gehl's book, *Life Between Buildings,* public space is important so that there is a possibility for activating the neighborhood. There are already some fast-food service restaurants along Hollowell Parkway, including one drive-through fast-food restaurant named Checkers. However, no coffee service is located in the area. A coffee shop is also important for people traveling along corridor from home to work. It is also necessary for a neighborhood community to serve as a gathering place where residents could meet. Coffee shops usually offer free Wi-Fi for customers. Web accessibility is also important to support the provision of advanced technology in the neighborhood. Such gathering spaces could become "information centers" or "public innovation centers" for a local community.

Café as public space

The café is a privately-owned business, but it could serve as public space. The low-income family sees it as either an exclusionary space or a gathering space depending on the strategy of the business owner. Low-price café businesses are often provided by chains or franchises like Starbucks and Dunkin Donuts. If possible, the café space could be expanded to the sidewalks to become a feature of an open space. It could also serve as an attraction to people passing by. The café now also acts as an innovation engine as it offers a place for people to share information and knowledge.

Dunkin Donuts proposal analysis

The Dunkin' Donuts brand operates a 100% franchise model. Dunkin uses a combination of two business models: company-owned stores and franchises (Jones, 2015). Dunkin's primary revenue is from a percentage of sales rather than a proportion of income from franchisees. Dunkin handles all advertising and public relations itself, which lowers the likelihood of a blunder at the franchisee level adversely affecting consumers. As long as the individual franchisees can stay in business Dunkin's revenue will remain relatively stable (fool.com, 2014). The unified advertising saves the cost for individual franchisees, but this advertising method could also result in insufficient local publicity.

Dunkin Donuts Competitive Environment

Strengths	Weaknesses
• Strong well recognized reputation and Brand name around the world. • Known for its high quality products and customer service which resulted in a high customer loyalty and high brand recognition. • It is considered the most experienced in the industry. • Having many varieties of donuts and bakery and hot beverages. • Has an Effective advertising and marketing strategies. • Issuing coupons and discounts and an Ideal place for having breakfast and coffee to attract the customers. • Have a very acceptable pricing. • Quick service.	• Not much is spent for marketing and media advertising for its products while other competitors do. • prices of the raw materials and ingredients are increasing specially for the high quality coffee beans are increasing
Opportunities	**Threats**
• Increasing its existence in other countries and places such as in Asia. • The growing of influence and acceptance of western trend among the youth resulted in greater opportunity for market share of the company. • With the healthy life style trend that people has the opportunity to attract this category of people through providing low calorie snacks. • Increase its reach through effective online marketing .	• People are moving to healthier ways of eating where they try to avoid the high calorie or sugary food, this may negatively affect revenues. • Entry barriers are low. • Competition from local cafes and bakeries are a threat for the company. • Increase in the cost of raw materials • Difficulty to change the snacking habits in certain countries like India and China.

Source:-(mbaskool, 2016)(NICOLE HOLSTED, 2012)(jubahib, 2012)(jones a. , 2015)

Figure 89. SWOT Analysis of Dunkin Donuts.

Dunkin Donuts does not have as many franchises in southern states like Georgia as it does in the northern states. The publicity is not enough for attracting potential local customers. The franchisee should work with franchisors to advertise more at the city level or even state level. As a national or even international franchise brand, Dunkin Donuts is very recognizable to the potential customer base. It could help to attract other types of businesses to locate nearby.

Based on Dunkin Donuts' revenue model, any downturn in consumer buying from the stores will affect Dunkin Donuts earnings as the percentage of sales. Because Dunkin's target market, low- and middle income groups, were the most impacted by the recession, the company has suffered from decreased revenue streams.

Dunkin Donuts has a franchise team including a franchising executive, development manager, construction manager, training manager, field marketing manager and director of operations working together for new franchise start-ups. Those expert advisors work on every step from site selection, construction, and training, to operations, marketing and management.

Dunkin Donuts Local base

In Atlanta, eleven Dunkin Donuts shops are located inside city boundaries. There is one 24-hour service and five drive-thru stores. The drive-thru shops are all located along the corridors while the others are located in the central city area. There are four shops located in the corridors from central Atlanta to the north side, while there is only one located in the corridors on the west side of central Atlanta. The market potential for establishing the new shop in Hollowell Parkway is enormous. The No.9 location in the graph below is on Ralph David Abernathy Boulevard, in a middle-income community with a park nearby. Ralph David Abernathy Boulevard is not as busy a street as Hollowell Parkway, however.

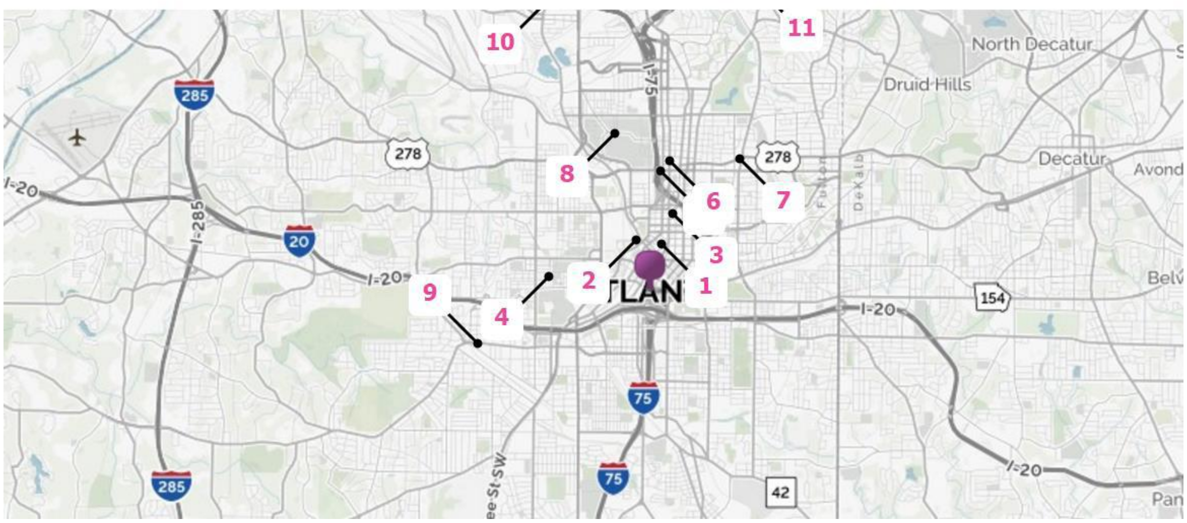
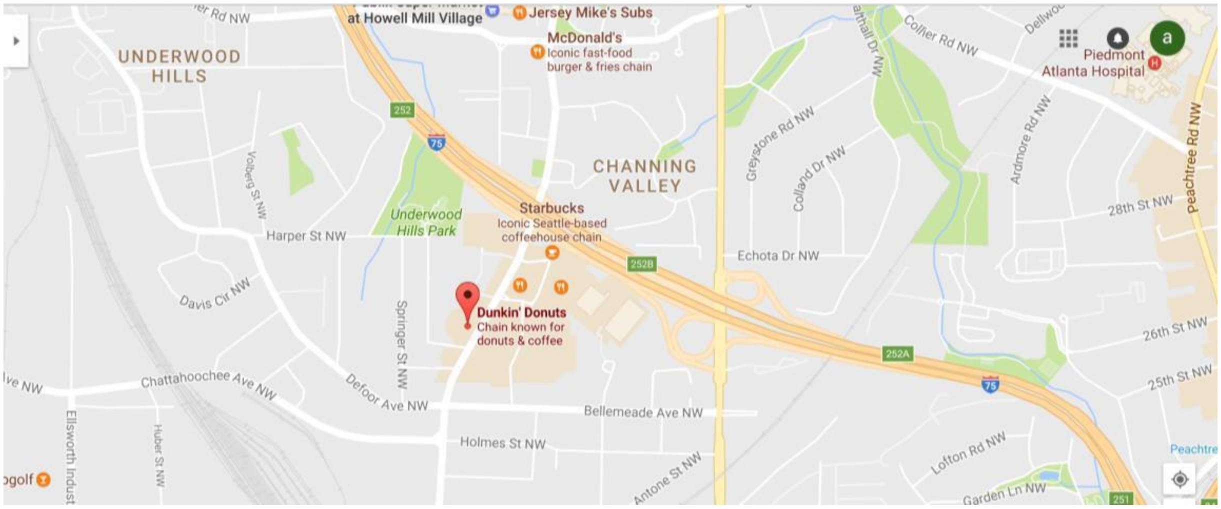


Figure 90. Location of Dunkin Donuts in Atlanta.

Case study of Dunkin Donuts at 1766 Howell Mill Rd NW, Atlanta

There is one Dunkin Donuts shop on Howell Mill Road in Northwest Atlanta. The location is also in an important traffic corridor next to the highway. There are several restaurants and another shop type in the surrounding area. Similar to the proposed site, the area also lacks a high-density residential community. It is open from 5 am to 10 pm, and the most popular time of the day is in the morning. The surrounding businesses are also automobile-related, with one bank and one grocery store. Dunkin's success in this context sets a precedent for a successful business model along Hollowell Parkway.



Figures 91, 91a. Dunkin Donuts, 1766 Howell Mill Rd NW, Atlanta.

Site proposal for Dunkin Donuts: physical requirements

Dunkin Donuts conducts site evaluations for future franchise locations. The physical requirements for location has been predetermined by the franchisor to make sure the franchisee is competitive. There is preferred minimum of 2,000 ADT counts and a population of 10,000 within a 5-minute drive-time to the franchise site. The preferred/required residential community within 5-minutes' drive time is 15,000 in suburban areas. The residential population within the 1-mile radius of the shopping center site is 12,741, which is slightly lower than the requirement. With the traffic of both pedestrian-oriented and transportation-oriented groups, as well as increased population density of community programs, the accessibility could meet the need of franchisee requirements. The building size should be 1,500 square feet to 3,000 square feet. Dunkin Donuts also requires strong pedestrian visibility and strong vehicular visibility. Seating space for a minimum of 18 seats is also required. Dunkin Donuts also prefers to have drive-through window capability and 24-hour operations.

The supply chain of Dunkin Donuts is separated into three parts. Purchasing for the Dunkin' Donuts brand is carried out by National DCP, LLC. The NDCP takes charge of all the sourcing, storing and shipping raw ingredients to centralized manufacturers. The NDCP is also in charge of coffee source supply. The company is owned by one of the franchisee members of Dunkin Donuts. CMLS provides the donuts and bakery goods, but some franchisees choose to get the baking supply from the local market, especially in some newer domestic markets. Dean Foods provides the Baskin-Robbins ice cream. Thus, there is still a chance to get bakery supply from the local market. The supply chain might be an opportunity for locally-sourced raw material industry development. All the supplies to the franchisee might offer some possibilities for the local economy. Some job opportunities like truck drivers or other delivery systems might be available to local communities.

Investment Requirements

Franchisees manage all shops of Dunkin Donuts based on franchise contracts with $40,000 to $80,000 franchise fees. The total investment of one store varies from $530,000 to $1,750,000. The minimum liquid capital of one shop is $250,000, and the minimum net worth is $500,000. With the help of TAD policies, investors could be attracted with less investment cost.

Site Selection and Comparison

The Dunkin Donuts would be located in a proposed a shopping center at 2751 Hollowell Parkway, near the corner of James Jackson Parkway. The shopping center creates a node for the whole area. The proposed Dunkin Donuts location is next to Hollowell Parkway, and will contain a drive-through window. There is space for a big advertising board along the road with excellent vehicle visibility. The parking lot is shared with the other businesses, and the shopping center would also support a pedestrianized area. The different franchises would be able to support one another.

Figures 92, 93. Birds eye perspective, and view of Pop-up Shop area.

This kind of centralized space would attract many different kinds of people. Such space could also support mothers, babysitters, and children who may otherwise stay home. It is a public space for the neighborhood. The elderly could congregate for social interaction in the coffee shop.

The shopping center would be developed with one developer or various developers working together. The one-time investment could be pretty high, but the proximity of these businesses to one another increase the chance for high returns. The whole shopping center would have some unified strategies with marketing and parking.

However, since the shopping center area has been laid out on the northern side of the road, it is not possible for the Dunkin Donuts to locate on its preferred side, from home to work, which is called the “AM side of the road." Another location for consideration would be 2608 Hollowell Parkway which is on the opposite of the road near the shopping center. There have already been some small businesses next to this site in the past. On the opposite side of the road, there are some fast food restaurants, which contribute to a commercial atmosphere. The location choice would consider the current state of the building. If some facilities like water supply or gas supply are already available, the investment cost would be lower. It is also located on the “home to work” morning side of the road so that the commuters traveling from home to work might easily get a coffee and a donut on their way to work. However, there might be certain conditions that make this site difficult to redevelopment, such as if the existing businesses in the shopping center would not benefit a Dunkin Donuts.

Figure 94. Alternative site proposal.

Design strategies for Dunkin Donuts

Dunking Donuts has its franchisee design code so that it is easy to recognize all the shops as being the same brand. A typical Dunkin Donuts shop has a shop sign visible to passing automobiles. The color pattern of each shop is typically the combination of orange and brown with a little pink. The company has a design consultant team to make sure all the shops are designed properly. The seat number is decided by the size of each store. However, the table size is recommended to include mostly 2 or 4 seats at each table, with a long table for individual customers to share. There are some examples that the company will consider for independent architecture to create an attractive space. If the shopping center was designed and constructed by the same team, the franchises’ brand design code should merge with the entire design system.

Figure 95. Design Code Dunkin Donuts (http://www.dunkinfranchising.com/franchisee/en/whatsavailable.html#).

Response towards technology change

Dunkin Donuts takes advantage of advanced technology to communicate more efficiently with customers. The mobile app, virtual gift cards, DD card and electronic menu are all available. These forms of technology support the franchisee, especially to attract commuters and visitors traveling through the corridor. The technology method is also helpful for brand advertising.

Technology has begun to change the business patterns of Dunkin Donuts. Orders can now be made online, which may enlarge the customer area. Food delivery systems could eventually be possible through online ordering and payment. Dunkin's brand also owns and operates LSMnow.com. It is target, which offers free downloads of brand-approved customizable creative, local store marketing programs to franchisees. Such website is exceedingly useful in a development world that is rapidly changing due to technological advancements.

In recent years, Dunkin Donuts has provided electric vehicle charging in some areas like California. The electric vehicle, or even driverless cars, could be a future trend for transportation. Thus, the consideration of electric vehicle charging stations in the parking lot will support transportation for future development.

Figure 96. Electric Charge Dunkin Donuts (http://www.dunkinfranchising.com/ franchisee/en/whatsavailable.html#).

Corridor Development and Node Development: towards neighborhood development

With the influence of New Urbanism, the traditional pattern of city growth in America based on automobiles and highways has begun to change. Mixed-use, pedestrian-friendly neighborhood has gained some success in inner-city development. Even in the suburbs, there are some central gathering areas with pedestrian-friendly environments acting as a node for local area development. The neighborhood along the Hollowell Parkway is in great need of a better environment. The living situation now is quite disappointing. The crime rate is high with insufficient essential services.

Two MARTA stations on both sides of the Hollowell Parkway offer a good opportunity for Transit-Oriented Development in the area. Pedestrian and public transportation provide better accessibility than automobile-oriented development. More people would be able to access the shops via transit, bike, or foot which would activate the whole street. The street should be reorganized with pedestrian walkways, bikeways and thinner roads for automobiles. In this way, the speed of automobiles would slow down, creating a safer space to walk. Further, people traveling move slowly in cars would be more likely to notice commercial areas. Along the Parkway, bus systems or shuttles could be added to increase accessibility to more people.. There are already some plans to improve transit through public financial support.

HOLLOWELL PARKWAY TAD: PUBLIC IMPROVEMENTS					
Category of Improvements	Total Estimated Costs	Total Estimated Local Match	Potential Source: ARC	Potential Source: City SPLOST	Potential Source: TAD Bonds
Sidewalks & Bicycle Lanes	$ 1,214,455	$ 361,812	$ 120,604	$ 120,604	$ 120,604
Trails/Pathways Projects	$ 160,000	$ 29,700	$ 9,900	$ 9,900	$ 9,900
Streetscape Projects	$ 8,325,833	$ 2,406,175	$ 802,058	$ 802,058	$ 802,058
Roadway Improvements	$ 3,563,221	$ 1,068,966	$ 356,322	$ 356,322	$ 356,322
Intersection Improvements	$ 130,000	$ 39,000	$ 13,000	$ 13,000	$ 13,000
Gateway Features	$ 88,000	$ 26,400	$ 8,800	$ 8,800	$ 8,800
TOTALS	$ 13,481,509	$ 3,932,053	$ 1,310,684	$ 1,310,684	$ 1,310,684

Figure 97. Public Improvements (Hollowell/M.L. King Redevelopment Plan and Tax Allocation District).

Corridor Development Strategies

Transportation linkage could be regarded as a potential development strategy for the neighborhood in that it brings financial benefit and people to this area. There are already two MARTA Stations near the neighborhood that could be a development node for the transit-oriented area. In the short term, franchises and other business would cater to the current low-income community. For long-term development, the corridor will most likely attract residents of various incomes, so the franchises and other businesses may need to adjust their marketing and products.

Node Development Strategies

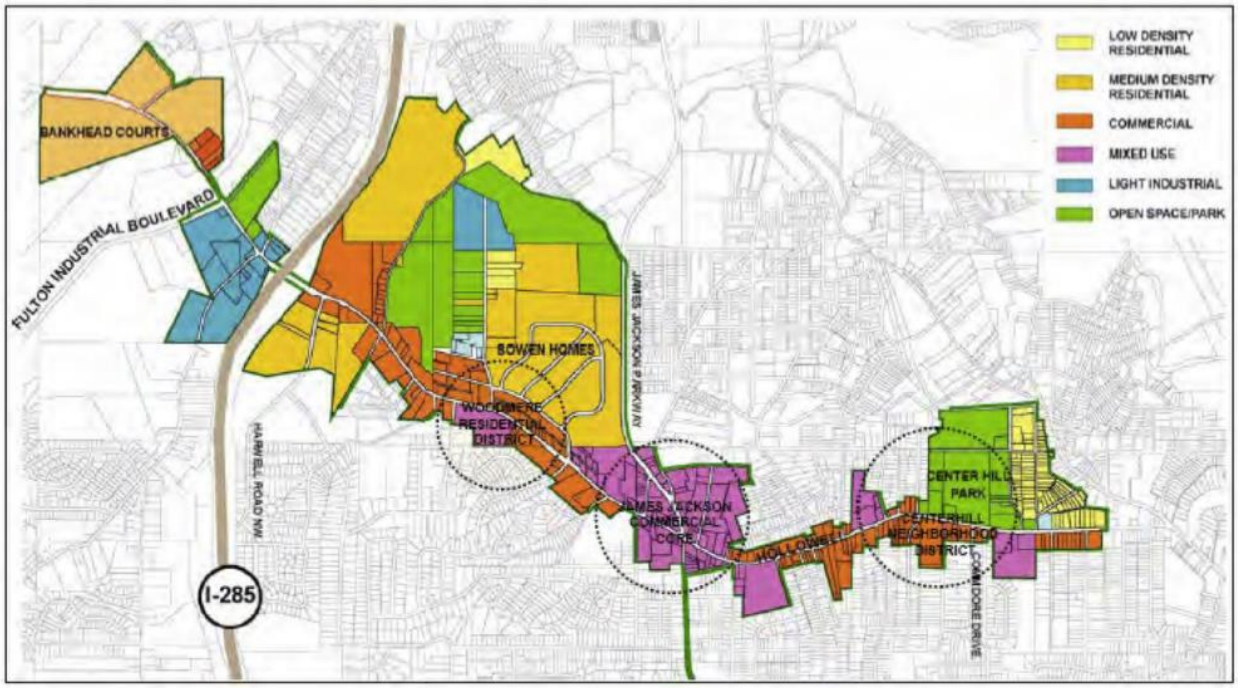


Figure 98. (Atlanta Metropolitan Transportation Planning Area).

The plan for Hollowell Parkway has already created several nodes for potential regional development. Mixed-use zoning allows small business development near or with residential development. The higher-density residential area is also proposed in the regional plan located adjacent to Center Hill Park. Since the location of the shopping center is at the James Jackson intersection, it would fit in with the LCI Study proposed redevelopment plan.

The proposed shopping center is smaller than a traditional shopping center or shopping mall. There are food services, business services, healthcare services, a grocery store, and a coffee shop. The space outside the building could serve as a food court. It offers more public space inside and outside the building that could be used as both a community center and gathering space. This kind of space has more energy than the traditional shopping center.

Impact of proposed franchise towards local development: Short-term

The new Dunkin Donuts shop would offer at least six jobs. The company also provides employees a six-week training program. Since it is a low-skill job, it is much more available to the local workforce. The training program is focused on the service for Dunkin Donuts, but it also provides trainees a skill base for a similar industry. The six-week training program includes one week of branding, two weeks of restaurant management and three-week of manufacturing and production. The training program is given in both traditional ways and through online courses, so it is not necessary to fly to Boston for training. The county workforce center should work together with all the franchisees to offer more opportunities to the local community. At Dunkin Donuts in particular, both full-time jobs and part-time jobs are needed. Part-time employment could provide more opportunities for the unemployed population in the neighborhood.

The raw material supply system is another development possibility for the district. As mentioned above, the food supply could be gathered directly from the community. It might be possible for the local community to cultivate some urban agriculture. Urban agriculture has already been adopted by other cities like New York. It is practical in the neighborhood as there is vacant space with low-density housing surrounded by parks and other green spaces. The urban agriculture could operate together with storm water management and soil contamination solutions. The urban agriculture might provide food at the city level or even county level. If neighborhood groups could manage the urban agriculture, it also guarantees food security to the franchisees.

The graph below shows a case study of urban agriculture in Brooklyn District 16. It is also a low-income neighborhood with a population of 85,235, 36% of whom were below the poverty level. The district is 78% African-American and 18% Hispanic. The food production system could also extend to processing and storage infrastructure for the local economic development.

Figure 99. Urban agriculture in New York City (Ackerman, K. (2011).

Impact of proposed franchise towards local development: Long-term

The development of a revitalized corridor would have an influence on Atlanta's development as a whole, as there more development in the urban core. Hollowell Parkway would serve not only a traffic corridor, but also a social-economic development corridor from the downtown area to the western suburbs. The development area would accelerate trend of core development. The green system linked to the BeltLine would serve as a public space for the whole city.

Choosing Dunkin Donuts as a well-known franchisee to locate in this developing area could attract customers to come to a new business center. The expansion of Dunkin Donuts will build its brand influence in the Atlanta region. The long-term franchise could work with the community to cultivate a sustainable development strategy. Apart from the electric automobile charging system and the urban agriculture, Dunkin Donuts could also adopt other environmentally friendly methods like solar energy or a waste recycling system. The shopping center developer could also consider the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) initiatives through public financial support. If the supply system of all areas could be combined with energy-saving equipment and recycling systems, the potential for future development is enormous.

Deficiency of current proposal

The site location also has its deficiencies. Based on the case study of Dunkin Donuts, the most active business hours are from 8 am to 11 am, so the "work to home" side of the shopping center could be disadvantageous. There is also not enough space for the shopping center to completely face Hollowell Parkway, which would reduce visibility for part of the site. Fortunately however, Dunkin Donuts is located on the side of the shopping center directly facing the Parkway.

All the proposals in the shopping center are franchisees, which is beneficial to the success of the center as the franchisors already have sophisticated development and marketing methods. The existing franchises could eventually support independent businesses in later development phases.

Case Study #8

Franchise #8: MAYTAG LAUNDROMAT by Chao Meng

Overview of Donald Lee Hollowell Parkway

This case study focuses on the urban corridor called Donald Lee Hollowell Parkway, which is a 6-mile-long corridor connecting Midtown, northwestern Atlanta and Cobb County (Donald L Hollowell Pkwy Redevelopment Plan, 2003). According to an analysis on LoopNet of a 3-mile buffer centering on 2776 Hollowell Parkway, the total population is 113,958. The total majority of people living in this area are African-American, which contributes to 59.7% of the population. The median income per capita is $31,742, which is lower than the city average (LoopNet, 2016). Compared to nearby areas, this area is relatively underdeveloped and has some of the lowest income levels in the city according to the data from Neighborhood Nexus shown below (2016).

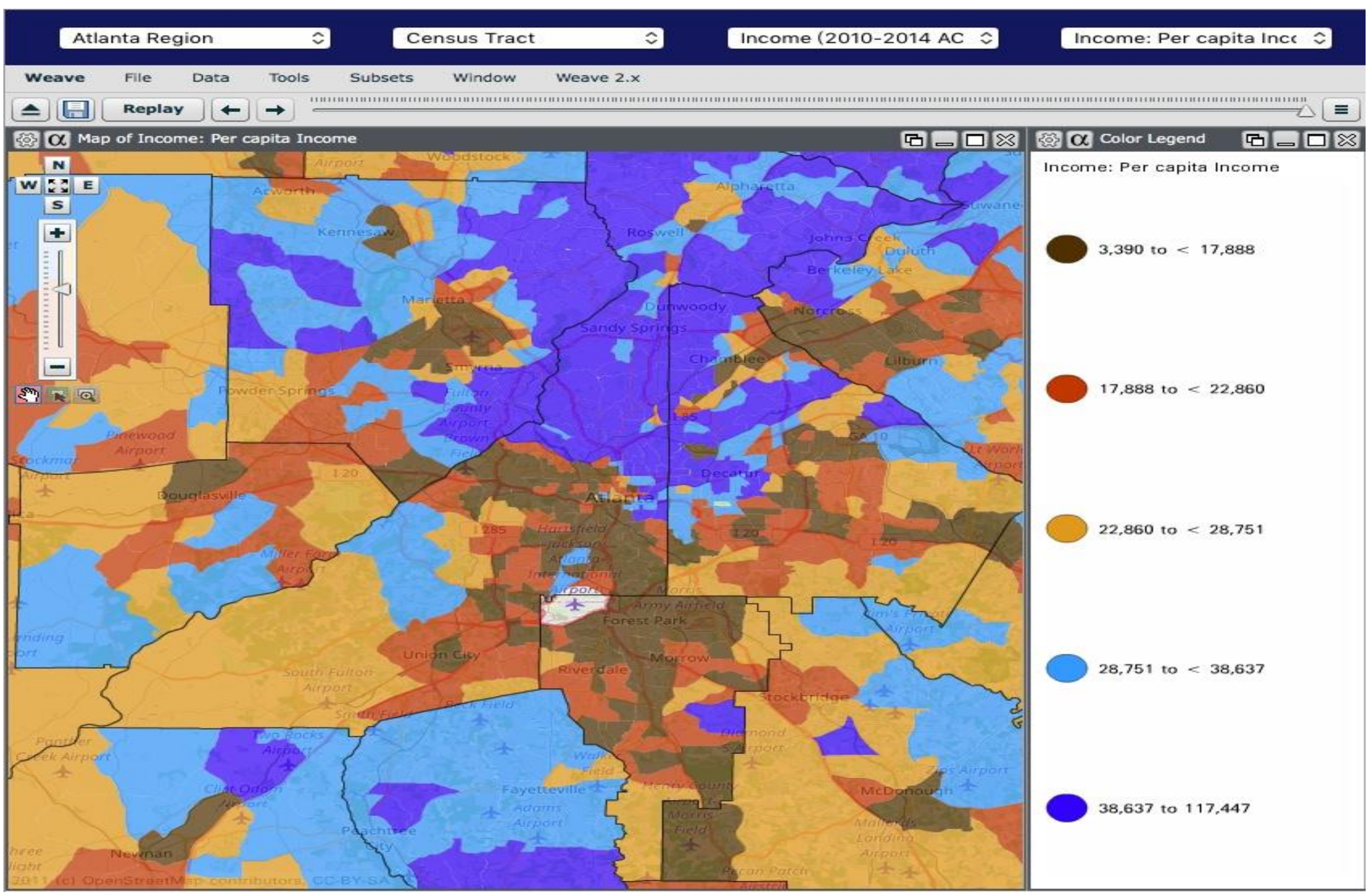


Figure 100 (previous page). Income per capita distribution map of Atlanta (Neighborhood Nexus). Another issue is crime rate. Over a 10-day period in November 2016, there were 34 robberies and 25 vehicle thefts reported. (CrimeReport, 2016).

The corridor has several land uses, including single-family, medium-density residential, and low-density commercial (Donald Lee Hollowell Pkwy Redevelopment Plan, 2003). The major residential type is single-family house, with a few multi-family projects, including Avalon Park Apartments. There are 52,538 housing units in the target area (LoopNet, 2016). Considering the high crime rates and older condition of houses, it is evident that the area caters to lower-income residents.

There is limited retail along the corridor. According to observations, much of the retail is automotive-related, for instance, auto parts stores and gas stations. Residents have limited access to retail for daily life needs. There are also grocery stores in the corridor. The only stores selling food are a Buy-Low, two Family Dollars, and a few mom & pop convenience stores. Residents living in this area therefore have little access to fresh and diversified groceries. There are also no banks in the area; the only related service available are check-cashing stores.

This underserved area has caught the attention of the City of Atlanta There have been several projects proposed for the area. In 2003, the City of Atlanta prepared the Donald Lee Hollowell Parkway Redevelopment Plan (DLH Plan), which built on several previous plans, especially the Northwest Atlanta Framework Plan (NAFP), adopted in 2000. The plan targeted "the abundance of abandoned buildings and the perception of higher than average crime, as well as the high concentration of below-market-rate housing and subsequent lower income characteristics" (Donald Lee Hollowell Pkwy Redevelopment Plan, 2003). The recommendation made in the plan included changes to the 15-year Land Use plan and transportation projects, which were mainly about pedestrians and walkability.

A more recent plan called The Gateway is led by Emerald Corridor Foundation. The goal of the plan is described as "catalyzing this cluster of long-abandoned buildings and creating a focused area of commerce and activity" (The Gateway Project, 2016). The target area, as shown in figure 101, includes the Bankhead Marta Station, which is located at east side of the corridor. The plan is consistent with the Atlanta BeltLine Master Plan and major projects, which include Proctor Park and Proctor Creek Greenway (The Gateway Project. 2016).

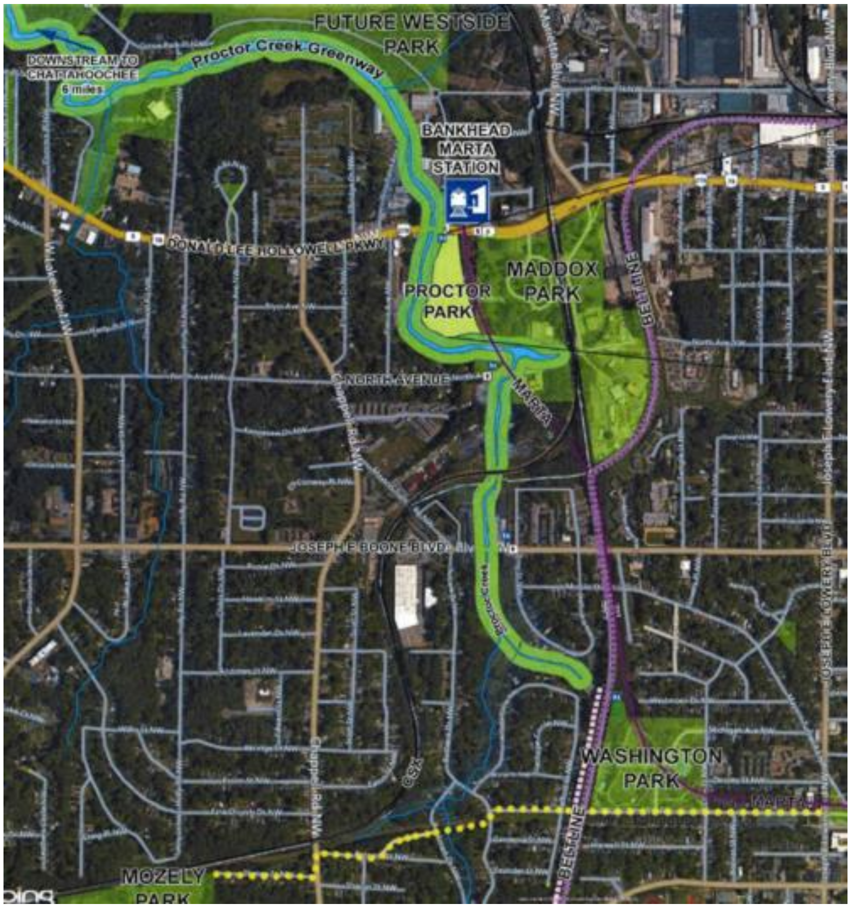


Figure 101. Satellite map of The Gateway project (Source: Emerald Corridor Foundation).

Potential Solutions

Mentioned in the last section, there are three types of retail and service gaps along the Donald Lee Hollowell Parkway, which are grocery stores, daily life needs, and banks. So, potential solutions focus on these three categories. Considering the business unit model in this area is comprised mainly of small single-unit buildings, a 7-11 grocery store might be a viable option, which requires less space than, for example, a Kroger. A potential site could be located on the intersection of Oliver St and Hollowell Pkwy, which is opposite to one of the Family Dollar stores.

Figure 102. Ideal site selection for 7-11 grocery store (Source: Google street view).

After further research, 7-11 turned out to be a less preferred option due to the following reasons:

1) There are few 7-11 stores opened in Georgia as a result of 7-11's business strategy.
2) A CVS grocery store and pharmacy previously located nearby closed due to bad sale results, which suggests that even a national grocery franchise could not succeed in the area easily.
3) There was no response from the owner of the property of the selected site, and thus no basic information to check whether it would fit the physical requirements of a 7-11 franchise.

Another recommendation relates to the Avalon Park Apartments, which are the biggest apartment community along the corridor. Since there are no washer and dryer equipped units, a laundry franchise, Maytag Commercial Laundry for example, could support the residents living in this community. Considering the size of a franchise, the shopping center at2776 Holloway Parkway could be an ideal option since it is close to the community.

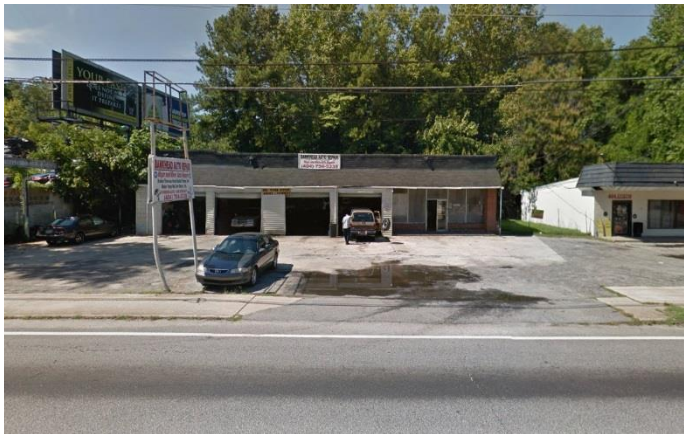


Figure 103. Ideal site selection for Maytag Commercial Laundry (Google Street View).

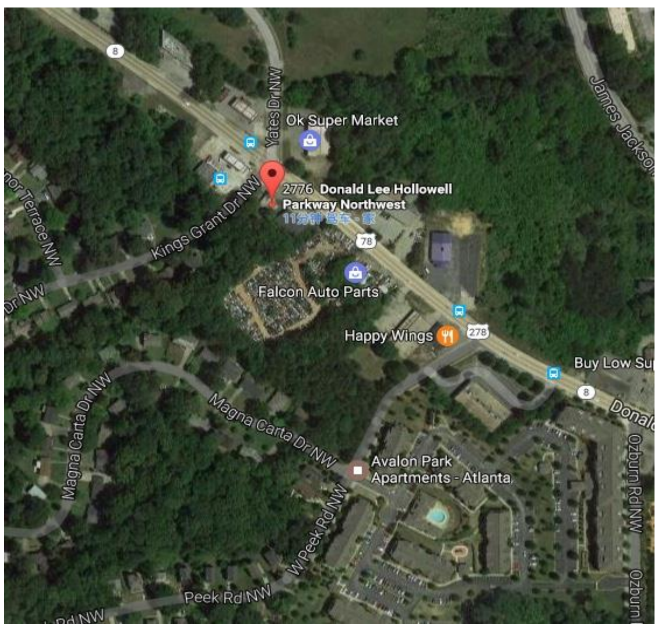


Figure 104. Satellite map of ideal site selection for Maytag Commercial Laundry (Google Map).

The incentives of site selection include location incentives and utility incentives. Except for the fact that it is close to Avalon Park Apartments, as shown in figure 104, the building location has a street entrance to Donald Lee Hollowell Pkwy, which provides easy vehicular access; people can drive in and out of the plaza easily. The site is also close to the Maytag appliance center in Atlanta, which is only three miles away. It is convenient for a franchisee to do service and maintenance for the equipment in the store.

There are three stores open in the plaza already and the one next to the site selection is an auto care center. Based on the information supplied by the owner of auto care center, water and electricity, which are critical utility services for a laundromat store, have been already set up. . The other two stores are a barber salon and music store, which can attract more customers to the plaza and potentially increase laundromat clientele.

Overview of Maytag Commercial Laundry

The Maytag Washing Machine Company was founded in 1893 by Frederick Maytag and now it is under the ownership of Whirlpool Corporation. It is famous for its laundry equipment and kitchen equipment (Maytag, Wikipedia, 2016). In 1958, to serve the growing needs of a mobile population, Maytag opened its first commercial laundry distributor, and in 1973, Maytag open coin laundry stores as a response to market needs (50th Annual Commercial Laundry Sales Meeting, 2008).

MAYTAG®
COMMERCIAL LAUNDRY

Figures 105, 106. Maytag trademark, Store design of Maytag Commercial Laundry (mymaytagluandry.com).

There are several benefits for a franchisee to choose a Maytag Commercial Laundry. First, Maytag is a brand that customers are already familiar with and have confidence in. Second, minimum labor is involved because customers do most of the work by themselves. Third, the laundry industry is recession-resistant because people always need clean clothes. Fourth, Maytag has done a lot of work to promote environmentally-friendly operations, and it will do minimum damage to the land. Fifth, they don’t require any franchising fee, which could lower the franchisee’s cost to start a business. (Why a Maytag Equipped Laundry, 2016).

The cash requirement is $75,000 of up front liquidity, and the ability to borrow remaining costs. This can vary depending on store size, however (Franchise direct, 2016). Because it is a self-service store, less employment is needed. According to official guidance, it is suggested that a small unit store usually needs three employees, one for information management and two on site to help customers use the laundry machines.

The traffic can access the store using the street entrance on Donald Lee Hollowell Parkway. There are no designed parking spaces yet, and estimated 10 more spaces could fit in front of the store.

Economic Development Impacts and Social Impacts

To analyze the economic impacts and social impacts from opening a Maytag Commercial Laundry franchise in Donald Lee Hollowell Parkway, a S.W.O.T. analysis has been prepared and is provided below:

Strengths

1. The franchise fee is $0 so the opportunity cost is low.
2. Minimum labor is needed, which can further lower a franchisee's opportunity cost.
3. With the characteristics of a quick return rate in the laundry industry, a Maytag Commercial Laundry can contribute to tax revenue relatively more consistently.
4. Several financing tools are available, including funding from the Tax Allocation District (TAD) (Donald Lee Hollowell Pkwy Redevelopment Plan, 2003). It can not only help a franchisee to start a business, but also can be used to test the suitability of the TAD for the area since TAD money is seldom used here.
5. Opening a commercial laundry can benefit residents living nearby in terms of convenience. Residents don't need to buy an expensive washer and dryer, and they can still have a nice place to wash clothes.

Weaknesses

1. Since minimum labor is needed, the franchise will contribute little to employment growth in the area, which is needed to revitalize the corridor.
2. It could cause traffic congestion in the area. There are no traffic lights or left-turn lanes at the stores location on Donald Lee Hollowell Parkway, which is the only access point to the store.
3. There are currently no clear boundaries between parking spaces at each store in the plaza.
4. The unit size is fixed and there is no empty properties attached to the property. In this case, it would not be possible to expand the business in the future.

Opportunities

1. The success of Maytag Commercial Laundry would show that a commercial laundry can succeed in the area, and could attract more investors to develop other franchises, potentially filling other service and retail gaps in the area.
2. Instead of doing in-store service only, Maytag Commercial Laundry franchise could expand its services by providing dry-clean delivery service. People would drop off their clothes to be dry cleaned in store, and Maytag would transport them to a larger laundry to have them dry-cleaned and returned to the customer. In this case, a franchisee of Maytag Commercial Laundry doesn't need to purchase dry-cleaning machines, an expensive cost. It could also lead to more employment by having more positions available to collect, deliver, and process the laundry. Off-site dry cleaning would also limit the possibility of the site becoming a future brownfield.

Threats

1. A small unit franchise like this is easier to leave if and when the franchisee decides to do so. Low stability of the franchise is harmful to local economic development stability in terms of tax revenue as well as employment.
2. Safety issues cannot be ignored in the area, especially since there is a high vehicle theft rate. One potential solution could be to not keep the store open 24-hours.

Case Study #9

Franchise #9: ANYTIME FITNESS (Melanie Dieg)

Donald Lee Hollowell Parkway is located in Northwest Atlanta and runs from Commercial Avenue on the east to the Buckner Road on the west (Sizemore Group, 2010). The parkway intersects several neighborhoods, including Bankhead, Grove Park, and Brookview Heights. It stretches approximately 4.5 miles, and reflects three different areas: an in-town stretch, an industrial stretch, and suburban stretch (Sizemore Group, 2010). The corridor runs through both Fulton and Cobb County. In the stretches within Fulton County, the corridor faces issues of underutilized parcels and declining businesses, aging building stock, poor pedestrian and transit infrastructure, and limited economic activity (Sizemore Group, 2010). The stretches within Cobb County face the need for inclusion and enhancement of historic resources, more pedestrian friendly streets, and the development of vacant properties to promote a sense of place (Sizemore Group, 2010). As suggested by the community vision provided in the area's 2010 LCI report, there is a need in the area "to create a desirable location to foster live-work-play sustainable communities, to create a cohesive attractive corridor with a 'sense of place' and a unique identity, to create a good mix of housing, retail, commercial, office, and recreation uses, and to create a community that is safe from crime and economically thriving" (Sizemore Group, 2010).

The area faces certain challenges; specifically, there are many underutilized land parcels, including those with declining businesses and aging and obsolete commercial business stock. There is also a perception of crime and concerns of safety in the area, as well as an overall lack of services for both residents living nearby and those who may be driving through. This includes retail establishments, grocery stores, restaurants, and entertainment options.

The area surrounding the corridor is predominantly African American and low-income. In 2009, ESRI estimates found the area to be 92.2% African American, 5.7% white and 2.3% Hispanic (Sizemore Group, 2010). At the local level, demographic data may influence retail or residential choices, but it is factors such as population, household size and income that prove more significant when considering the franchise model, as these influence retail purchasing power and local demand for services (Sizemore, 2010).

Regarding the future market potential of the area, it is important to consider the relatively high rates of growth in both primary (0-2 miles) and secondary (2-5 miles) sections of the corridor's market area (Sizemore, 2010). They are projected to grow 1.8% and 2.0% respectively annually over the next five years, and even more over the next ten as well (Sizemore, 2010). This increase in population will foreseeably provide consumers for proposed franchised development in the area. Increasing with population growth, the area is also expected to see an increase in growth of households at moderately high rates in regard to new household formation (Sizemore, 2010). New households should also act as a foundation for attracting new retail and commercial ventures.

Residents who live in the area of the study are also significantly younger than any in its associated markets (Sizemore, 2010). The area has a median age of 25.5, which typically indicates an average of average or above-average number of children within the area's households (Sizemore, 2010). Figures 107, 108, and 109 below summarize this ethnicity, population, and median age information compared to the City of Atlanta and Cobb County as provided by the area's 2010 Living Communities Initiative Study.

Ethnicity within Study Area

	Study Area	2-mile	2-5 miles	5-8 miles	Atlanta	Cobb
2009						
White Alone	5.7%	3.3%	24.5%	39.7%	29.3%	66.2%
Black Alone	92.2%	94.2%	69.2%	50.3%	63.8%	21.4%
Hispanic Origin	2.3%	2.5%	6.7%	8.7%	6.0%	11.2%
2014						
White Alone	5.5%	3.1%	22.8%	36.6%	27.3%	62.6%
Black Alone	92.1%	94.3%	69.8%	52.0%	64.8%	22.6%
Hispanic Origin	2.6%	2.7%	7.8%	10.2%	7.0%	13.5%

Figure 107. Ethnicity within Study Area (Sizemore Group, 2010).

Median Age within Study Area

	Study Area	2-mile	2-5 miles	5-8 miles	Atlanta	Cobb
2009	25.5	28.9	34.3	33.1	33.3	34.7
2014	25.9	28.9	34.4	33.2	33.3	34.7

Figure 108. Median Age within Study Area (Sizemore Group, 2010).

Population within Study Area

	Study Area	2-mile	2-5 miles	5-8 miles	Atlanta	Cobb
2000	6,685	28,105	124,093	317,946	416,474	607,751
2009	8,181	32,993	151,973	376,869	493,028	712,681
2014	8,938	36,118	167,729	411,276	540,600	763,515
2019	9,767	39,546	185,096	448,767	592,781	818,075

2000-09 Annual Growth	1.96%	1.75%	2.22%	1.86%	1.84%	1.74%
2009-14 Annual Growth	1.79%	1.83%	1.99%	1.76%	1.86%	1.39%
2009-2014 Net Growth	757	3,125	15,756	34,409	47,572	50,834
2014-2019 Net Growth	829	3,428	17,367	37,489	52,181	54,560
2009-19 Net Growth	1,586	6,553	33,123	71,898	99,753	105,394

Figure 109. Population within Study Area (Sizemore Group, 2010)

In addition to the population and demographic characteristics of the corridor area, there are additional considerations due to the fact that Hollowell Parkway is a major thoroughfare. There are several points where the corridor is connected to the region. Interstate I-285 bisects the study area, while many other arterial roads also provide access to the corridor including Hollowell Parkway itself, Veteran's Memorial highway, Oakdale Road, Fulton Industrial Boulevard, Bolton Road, and James Jackson Parkway (Sizemore, 2010). According to a traffic count map provided of the area by ESRI, at the epicenter of the corridor approximately 16,500 vehicles pass through the area each day. Spanning farther out these counts reach as high 198,400 vehicles a day, as depicted in Figure 110.

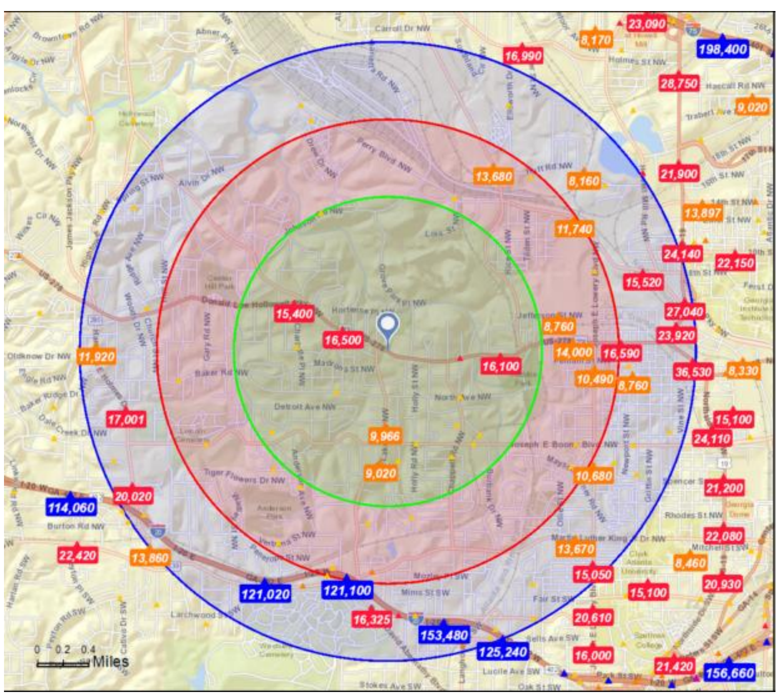


Figure 110. Traffic Count Map for Hollowell Parkway Corridor Area (ESRI, 2016).

Given the characteristics of the Hollowell Parkway area, a franchise business model could serve as a viable economic development strategy for the corridor. In examining the various service gaps of the area, of particular note is a lack of physical fitness or personal care center. In response, for a proposed franchise within the area the potential for an Anytime Fitness franchise at the site 2045 Hollowell Parkway will be examined, as depicted in Figure 111.

Figure 111. Proposed Site at 2045 Hollowell Parkway (Google Maps, 2016).

Fitness Industry

In tandem with a social trend towards physical fitness and personal well-being, the fitness industry has been doing particularly well in the current economy. Overall, the industry is defined as fitness and recreational sports facilities that feature exercise and other active physical fitness activities, such as swimming, skating or racquet sports (IBIS World, 2016). According to International Health, Racquet and Sportsclub Association (IHRSA) data, the number of health club memberships in the United States rose in 2014 to 54.1 million, up from 51.4 million in 2011 (IBISWorld, 2016). In the past five years, more of these individuals held memberships to both niche establishments, such as yoga studios, as well as chain gyms (IBIS World, 2016). Many gyms and health fitness clubs appeal to consumers through a convenience model, which means they offer low-cost memberships and are often open for extended hours (IBIS Word, 2016)

The demand for the fitness industry has grown as many individuals have incorporated fitness into their daily routines. The number of individuals aged 20 through 64, the largest gym-going demographic, has grown, spurring the demand for gym memberships over the period from 2011 to 2014 (IBIS Word, 2016). In the five years leading to 2016, fitness industry revenue has grown annually by 2.4% to $30.1 billion, including a 2.2% rise in 2016 alone (IBIS Word, 2016). Profit is expected to rise to 9.2% of industry revenue, although this is often constrained by low-cancellation fees at gyms with low customer retention rates (IBIS Word, 2016). Over the next five years, industry revenue is forecasted to grow at an annualized rate of 2.6% to $34.2 billion (IBIS Word, 2016). Consumers are expected to increasingly substitute large, all-inclusive clubs for low-cost memberships, which will propel industry revenue upward (IBIS Word, 2016). Past and projected revenue of the fitness industry is depicted below in Figures 112 and 113. Figures 114 and 115 indicate the breakdown of the $30.1 billion in revenue as well as further delineation of the age breakdown of gym users.

Year	Revenue $ Million	Growth %
2006	24,566.5	0
2007	26,384.1	7.4
2008	26,996.4	2.3
2009	25.919.2	-4.0
2010	26,211.0	1.1
2011	26,732.2	2.0
2012	27,260.3	2.0
2013	28,548.5	4.7
2014	29,167.4	2.2
2015	29,469.9	1.0
2016	30,105.4	2.2

Figure 112. Fitness Industry Revenue Growth 2006-2016.

Year	Revenue $ Million	Growth %
2017	31,129.3	3.4
2018	31,948.6	2.6
2019	32,632.8	2.1
2020	33,451.2	2.5
2021	34,220.0	2.3
2022	34,836.5	1.8

Figure 113. Fitness Industry Revenue Growth Projected for 2017-2022 (IBIS World, 2016)

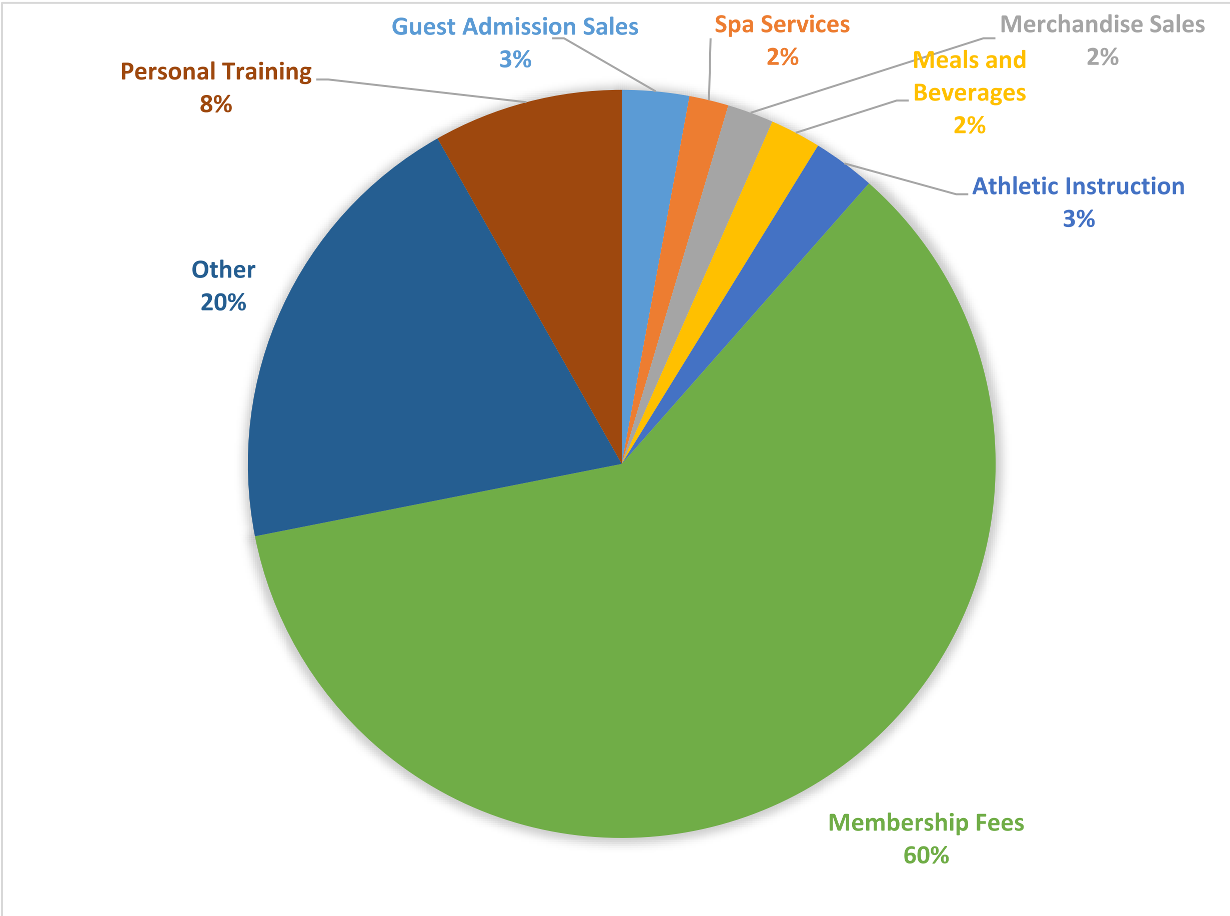


Figure 114: Revenue by Category (Fitness Industry 2016).

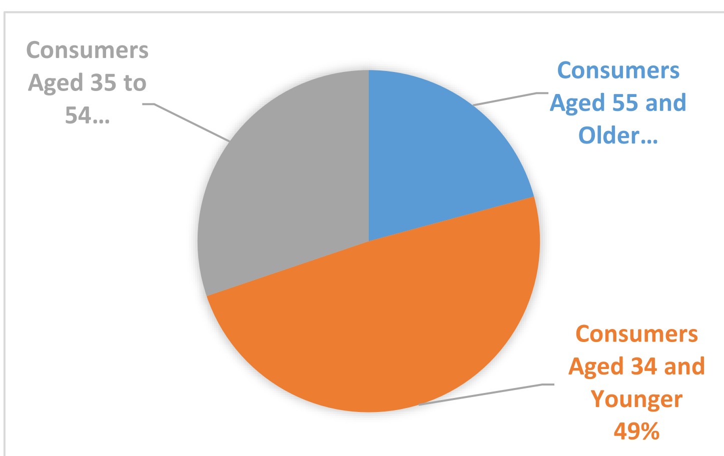


Figure 115: Age Distribution of Gym Membership Holders (IBIS World, 2016).

At a glance, the industry generates $30.1 billion annually, with $2.8 billion in profit. The industry is additionally responsible for $10.1 billion in wages annually, based on 94,956 businesses (IBIS Word, 2016). As the industry grows, there will also be in an increase in related employment opportunities, including personal trainers and customer services, which represent major points of competition for industry operators. In the last five years, employment has increased at an annualized rate of 2.9% to reach 725,059 individuals (IBIS World, 2016).

The key drivers in the industry are defined by IBIS World to be participation in sports, time spent on leisure and sports, per capita disposable income, number of adults aged 20 to 64, and the yield on 10-year Treasury note, meaning that the industry is predominantly affected by changes in these areas (2016). To expand, as individuals have more leisure time, they can allocate more time toward their fitness regime, which spurs consumer demand for gym, health, and fitness club memberships. As per capita income rises, more individuals can purchase gym, health and fitness club memberships. As individuals aged 20 to 64 make up the largest gym-going demographic, an increase in their population broadens the market for the fitness industry. The yield on a 10-year Treasury note measures the current interest rate. As interest rates rise, the investing environment for gym, health, and fitness clubs will be less favorable, discouraging gyms from expanding their franchise operations. The 10-year Treasury note is expected to decrease in 2016 (IBIS World, 2016).

The emergence of budget-conscious gym members has considerably changed the industry's landscape, with a growing preference for easily accessible, smaller gyms with fewer amenities (IBIS World, 2016). Of these "budget gyms," Planet Fitness is the fastest-growing full-size health club franchise in the United States, with the company offering prices that range from $10.00 to $19.99 a month. Other growing franchises include Snap and Anytime Fitness, which have both demonstrated the popularity of chain gyms that target budget-conscious clientele (IBIS World, 2016). Individuals who seek individualized fitness programs, specific fitness goals, or are uncomfortable exercising in larger gyms also tend to favor such small-scale gyms.

At this point, the gym, health and fitness club industry is in the growth life cycle stage, because consumers continue to be interested in exercise to boost their fitness and health. This means that revenue generated is growing faster than the economy, as in the years through 2021, the industry value added (IVA) is projected to grow at 2.7% per year, while the GDP is anticipated to grow at a rate of 2.1 % over the same period (IBIS World, 2016). As public health campaigns increase messaging about the benefits of fitness, consumers will increasingly view gym memberships as an essential expense. As these memberships become more commonplace into the average American's life, revenue growth will eventually slow to match population growth, which will bring the industry's cycle into the maturity state (IBIS World, 2016).

There are several key supply industries to the fitness industry, including athletic and sporting goods manufacturing, gym and exercise equipment manufacturing, heat and air conditioning contractors, plumbers, and steam and air conditioning supply (IBIS World, 2016). The key demand industry is primarily consumers, who drive the demand for gyms, health, and fitness clubs.

Overall, barriers to entry for fitness franchises are relatively low for the fitness industry. Facilities can often be leased rather than owned, which provides an opportunity to lower cost for potential entrants to the industry. More than one-third of top ranked fitness franchises can be started for less than $100,000 (Herold, 2014). Wages in the industry tend to be low for staff members who are typically unskilled or provide training services on a part-time basis (IBIS World, 2016). Equipment costs can be relatively low, as they have long life spans and can be either rented or purchased second hand (IBIS World, 2016).

Anytime Fitness

Moving forward with the fitness industry, a specific franchise that would be a good fit for both the 2045 Hollowell Parkway site and corridor's area as a whole would be the Anytime Fitness franchise. Founded in 2001, and franchising since 2002, Anytime Fitness was founded from the Self Esteem Brands parent company (Entrepreneur, 2016). The franchise is currently ranked number ten on the Entrepreneur's top 500-franchise list, and was ranked the number one global franchise in both 2015 and 2016 (Entrepreneur, 2016). Operating over 2,000 clubs in 14 countries, the model is typical for the "small-box" gym model, and contains basic weights machines, free weights, and cardio equipment. It is open twenty-four hours a day seven days a week, as made possible by a security system of cameras and an electronic entry system. They have a relatively low membership fee of $22 per month, and no multiple month contractual requirements.

The franchise requires an initial investment ranging from $80,020 and $490,100, and requires a $300,000 net-worth requirement and a $100,000 liquid cash requirement (Entrepreneur, 2016). Ongoing fees associated with the franchise include an initial franchising fee ranging from $19,000 to $37,500. There is an ongoing royalty fee of $449 a month, which differs from many other franchises in that it is a flat fee rather than a percentage of total revenue. There is also an additional ad royalty fee of $300 per month. The average earnings before interest, taxes, depreciation and amortization (EBITDA) are $135,300 (Anytime Fitness, 2016). Anytime Fitness has relationships with third-party sources which offer financing to cover the franchising fee, startup costs, equipment, inventory, accounts receivable, and payroll (Entrepreneur, 2016). Anytime Fitness is currently seeking new franchise units worldwide, Figure 116 below shows the locations opened since 2006.

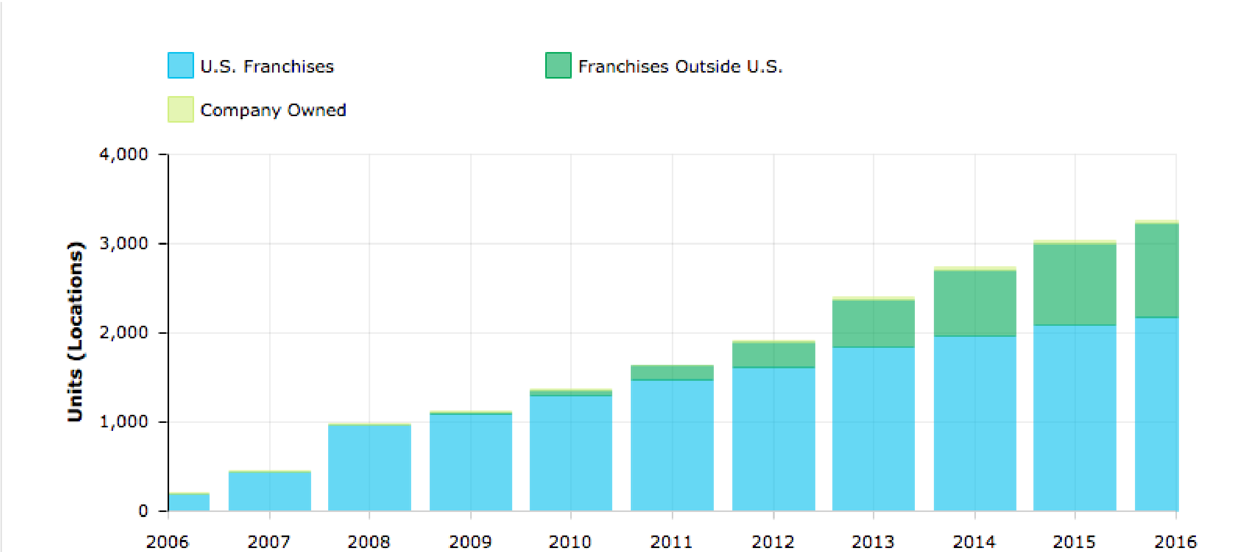


Figure 116: Anytime Fitness Locations Opened Since 2006 (Entrepreneur, 2016)

In discussions with Joey Aunas of Anytime Fitness, the franchise has no additional stipulations about opening within an urban or low-income area, apart from local zoning considerations. He stated that the clubs can be adapted for many different spaces, but are typically within the 4,000 to 5,000 square feet range. There is no parking requirement, and each club typically hires 8 to12 employees (Aunas, 2016).

Site Selection

Given many considerations, the 2045 site appears to be an appropriate site for a potential Anytime Fitness franchise. First and foremost is the area's complete lack of gyms or fitness centers. Depicted in Figure 117 below, using the "nearby" function of Google maps, it is apparent that the fitness industry has neglected this area, and instead has concentrated largely in more affluent areas to the east.

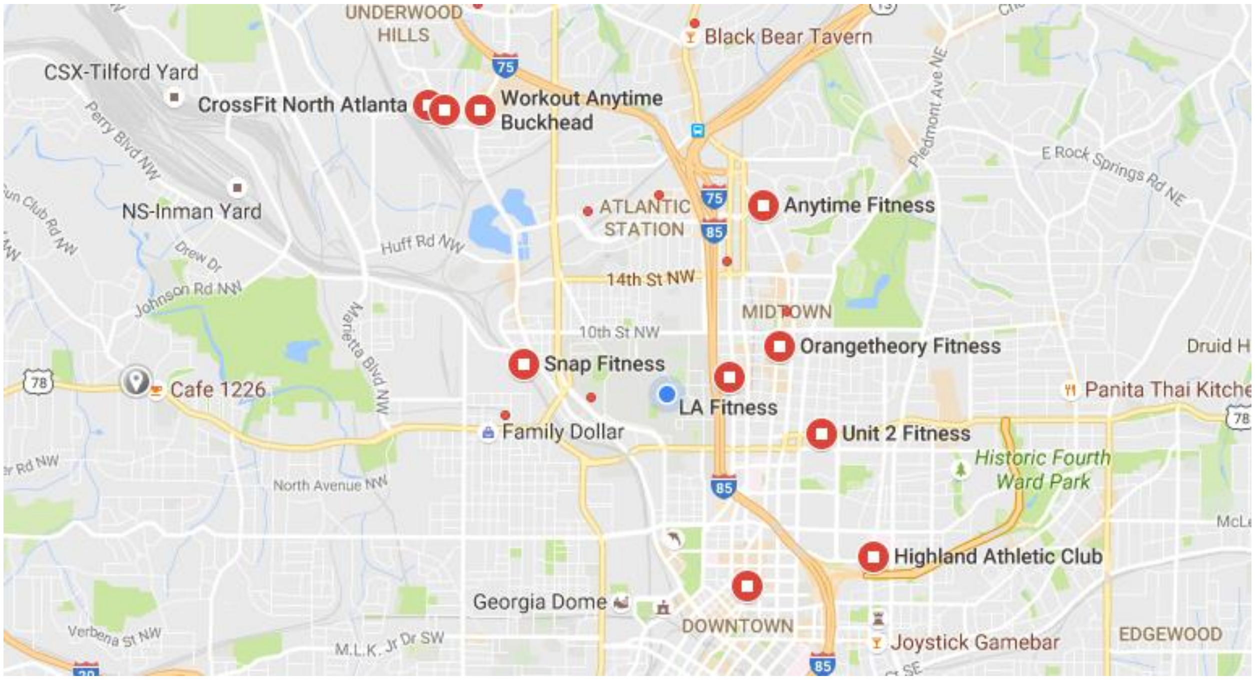


Figure 117. Fitness Centers in Proximity to Hollowell Parkway Corridor (Google Maps).

Next, despite falling within the "in-town" stretch of the corridor area, there is some moderate commercial development surrounding the site, as depicted in Figure 118. This creates not only the potential for bringing customers into these areas for these businesses, but also could prove beneficial for these establishment's safety considerations, as there will be a presence of security at the Anytime Fitness 24 hours a day. Additionally, if the gym proves to be successful in attracting members, there may also be the opportunity for new businesses to develop around the area, perhaps for fitness related establishments or healthy eating options, as the area contains some existing abandoned and underutilized lots.

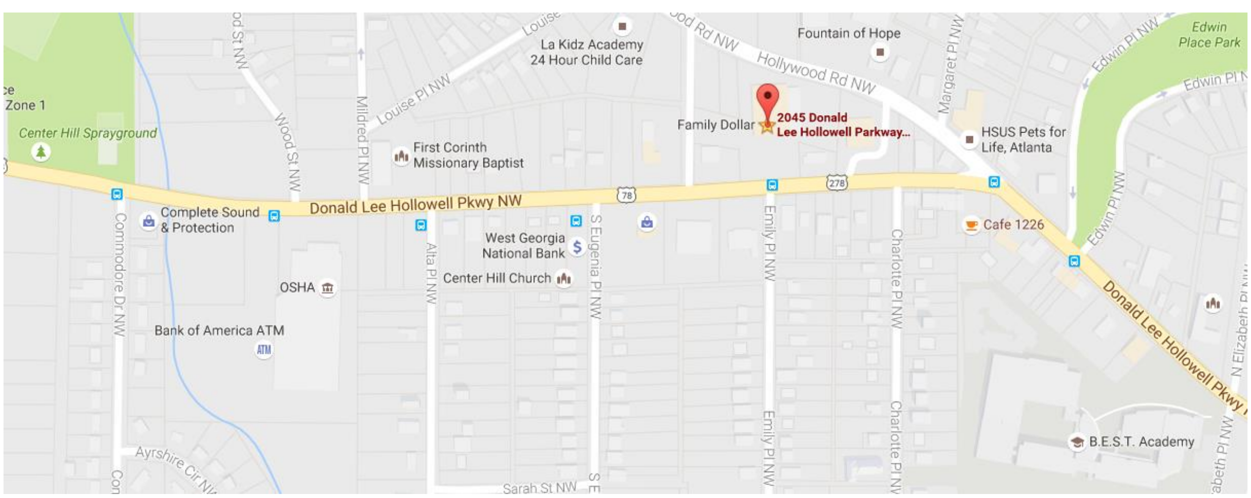


Figure 118. Establishments Surrounding 2045 Site (Google Maps).

Furthermore, based on the population information of the corridor area, a sufficient customer base could be generated for an Anytime Fitness franchise. In addition to the area's younger median age falling within the highest gym-going demographic, additional clientele could be students at the nearby B.E.S.T. Academy, a K-12 all boys school. In addition to members of the community that could utilize the Anytime Fitness, the location of the establishment along a major commuting thoroughfare may attract commuters looking for a convenient place to work out on their way to or from work. Modified from the previous Figure 110, Figure 119 shows that between 15,400 vehicles and 16,500 pass by the 2045 site daily.

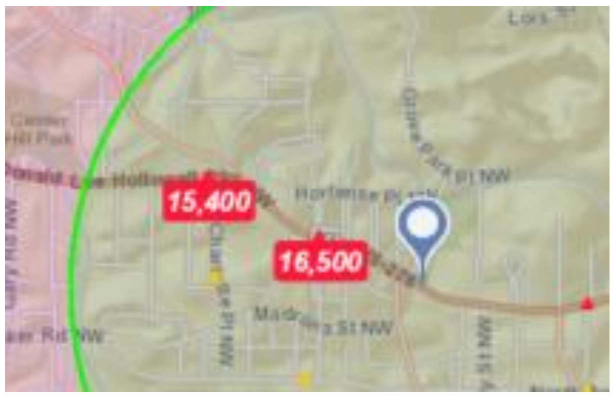


Figure 119. Vehicles per Day Passing 2045 Site (ESRI, 2016).

The 2045 Hollowell Parkway site consists of two storefronts, one belonging to a Family Dollar, and one currently vacant where the proposed Anytime Fitness would be located. In total, the site is 21,842 square feet. The Family Dollar is 17,343 square feet, which leaves 4,499 square feet for the Anytime Fitness site (Fulton County Board of Assessors, 2011). This puts it within the four to five thousand range desired by the Anytime Fitness Franchise. The site itself was built in 1964, and has a C1 zoning, which is appropriate for such a facility (Fulton County Board of Assessors, 2011).

Economic Development Outcomes

Apart from the first hand economic effects of having an operable business in the community, there is also an economic argument to be made for having healthier residents. To begin, a 2009 study conducted by Access Economics examined the fitness industry in Australia, and found it to be a dynamic and important part of the Australian economy in that it plays a key role in improving the health and fitness of Australians. The study found that Australia's fitness centers contributed a total of $872.9 million to the economy in 2007-2008, with a direct added contribution of $486.5 million, $374.2 million being paid in wages and $112.3 million returned to capital owners as operational profits (Access Economics, 2009). A key benefit of the

Australian fitness industry is its contribution to improving the health of the community, which provides a range of economic benefits (Access Economics, 2009). Improvements in community health radiate out to the rest of the economy by reducing health care costs, enhancing workforce productivity and increasing the amount of labor available through increasing the number of people participating in the workforce (Access Economics, 2009). In light of Australia's increased spending on health, (9% of the GDP in 2006-2007 up from 7.7% in 1996) the study emphasizes that there is a critical potential to increase preventative health measures, as provided by fitness centers, and to reduce the direct burden of avoidable illness (Access Economics, 2009). The benefits from improved health are sensitive to how many fitness center participants would effectively drop out from regular exercise in the absence of fitness centers. The study found that where exercise drop out is especially high (over 75%), health care savings from fitness centers could be in the order of $107.9 million and around 1,375 full time employees would be added to the economy (Access Economics, 2009).

In summation, the addition of fitness centers within the local economic context creates direct impacts, such as increasing industry size and employment, increasing the amount of industry value added, and creating a multiplier effect on other industries. The wider economic implications of fitness centers may eventually enhance workforce participation, enhance workforce productivity, and increase avoidable health care costs (Access Economics, 2009).

Fitness centers promote more active lifestyles by providing the necessary facilities, equipment and expertise to achieve greater levels of fitness. The exercise services provided through fitness centers may provide preventative health benefits to customers, which may in turn reduce the incidence of chronic diseases attributable to physical inactivity (Access Economics, 2009). While there is substantial research within medical literature of the effectiveness of exercise interventions on particular chronic diseases, there is limited empirical evidence on the impact that exercise facilities may have on general community health. There is, however, recent literature that suggests fitness center membership is associated with increased health responsibility and broader health promoting behavior (Access Economics, 2009). Ready et. al. (2005) assert that fitness center members may constitute a large part of the population who are sufficiently able to achieve optimal health. Giles-Corti and Donovan (2002) argue that those who have memberships in a sports and recreation club are 2.5 times as likely to achieve the recommended level of physical activity. The graphic depicted within Figure 120 shows a framework through which both the health and economic impact of fitness centers can be evaluated.

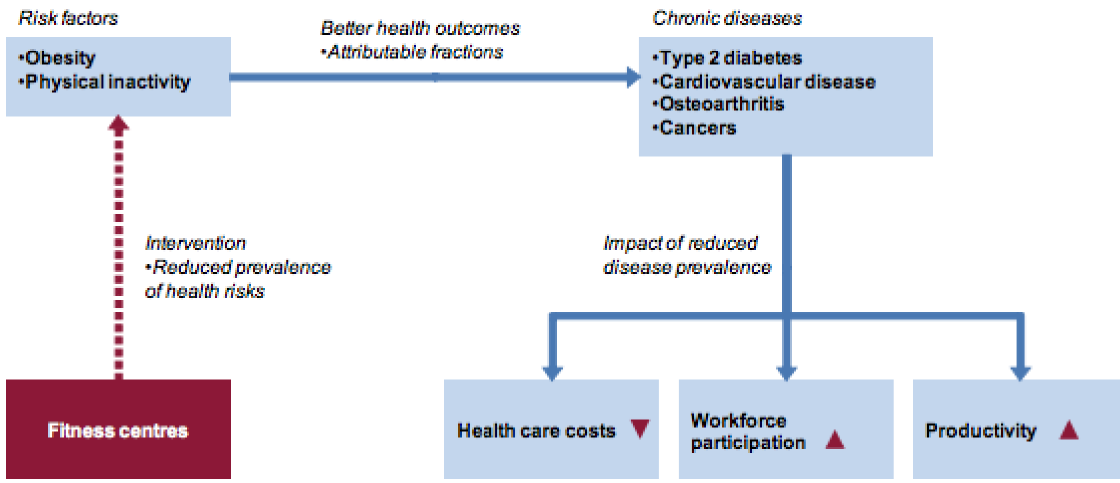


Figure 120. Framework for Evaluating the Health Benefits of Fitness Centers (Access Economics, 2009).

In addition, the Anytime Fitness model provides ample opportunity for franchise owners to contract their business outside to third party vendors, which may create additional opportunities for local connections for economic development. The potential expenses as provided by Anytime Fitness and their contracting options are depicted below in Figure 121.

Type of Expenditure	Anytime Fitness Standard	To Whom Payment is Made
Initial Franchise / Development Fee	$20,000 to $37,500 (Note 2)	Us
Travel and Living Expenses While Training (Note 3)	$2,900 to $3,100	Vendors (e.g. travel, hotel, restaurants)
Real Estate and Improvements	$12,000 to $299,000 (Note 4)	Third Parties
Fitness Equipment	$4,200 to $23,000 (Note 5)	Us or Vendors
Tanning Equipment	$0 to $1,300 (Note 5)	Vendors
Virtual Programming Kiosk	$0 to $1,000	Vendors
Global Access Equipment	$3,825 to $14,200 (Note 5)	Vendors
First Aid Equipment	$1,000 to $1,600 (Note 6)	Vendors

Interior Signs (Note 7)	$110 - $5,000	Us or Vendors
Outside Signs (Note 7)	$110 to $9,000	Us or Vendors
Miscellaneous Opening Costs (Note 8)	$1,900 to $2,700	Vendors
Pre-Sale / Grand Opening Advertising	$8,000 to $13,000 (Note 9)	Vendors
Insurance (Note 10)	$2,500 to $2,800	Vendors
Supplies and Furniture	$4,200 to $6,400	Vendors
Legal and Accounting Expenses	$500 to $4,500	Vendors
Additional Funds - 3 Months (Notes 11 and 12)	$40,000 to $66,000	Suppliers, Utilities, etc.

Figure 121. Expected Expenditures and Potential for Third Party Vendors (Anytime Fitness, 2016).

Conclusion

In conclusion, the franchise model provides an interesting lens in which to examine local economic development, particularly within urban, low-wealth communities. Literature regarding the effectiveness of the franchise strategy model demonstrates that the model would be effective within the context of the Hollowell Parkway corridor in Atlanta, specifically through the fitness franchise of Anytime Fitness. Essentially, when seeking strategies in order to facilitate economic development within underdeveloped areas, a certain amount of consideration must be given to those from outside the area who may make this initial development feasible. The Anytime Fitness franchise takes this into account through the possibility for commuters travelling in the corridor, but predominantly focuses on providing a necessary service to residents within the area. While it may appear to be an establishment that does not have an extreme correlation with economic development in the area, the multiplier effect of the gym's presence and the opportunity for third party business should improve economic activity for the community at large. More so, the presence of a fitness center in the area has the opportunity to help address not only the goal of the LCI study to create "a desirable location to foster live-work-play sustainable communities," but also fundamentally serves as a physical representation of the principle that health should not be a luxury for solely the affluent.

PART III – OUTCOMES, LESSONS LEARNED, AND CONCLUSIONS

ECONOMIC DEVELOPMENT OUTCOMES

There is an intense hunger for an economic development plan along Hollowell Parkway that is more than just talk. It is recognized that a franchise strategy for local economic development is only a very small portion for what is really needed in this community. However, the mix of franchises presented will fill many retail and service gaps, and provide some new opportunities for jobs within the community. It is believed the real effect will not be in these stores themselves, but will be in the spark they provide for other local entrepreneurs to come forward, to seek ways of taking advantage of the potentially increased traffic in the area, and the increased reasons to make a stop to buy something, not only by car, but by foot, bicycle, and public transit. This shopping center and anchoring grocery store provide an opportunity for something fresh, aesthetic, and new, in an area that has suffered from intense disinvestment in the past. The new Residents would no longer have to travel as far to get the items they need to improve their health, time efficiency, and quality of life. More buying power will stay within the community. There will be more local people with jobs, though those numbers may be small in the beginning. Furthermore, there will be a greater sense of pride that will induce other positive second order effects, reflecting a resilient return to more prosperous times. This might provide the *tipping point* this community so desperately seeks.

LESSONS LEARNED FOR LOCAL ECONOMIC DEVELOPMENT PRACTICE

Several lessons have been generated from this study to address the unique economic development needs of the Hollowell Parkway community, as well as other disadvantaged neighborhoods throughout the United States Lessons learned include:

- <u>The importance of sustainable investment in economic development</u>
  In building a revitalization model for an inner urban area, it is important to determine as early as possible if an investment will contribute to survival of a franchise strategy beyond the initial implementation phase. Can the investment made support and sustain future development of additional businesses? The channels through which finances are generated must be evaluated to ensure that both investors and stakeholders of the community benefit from them.

- <u>Strategic workforce development</u>
  The importance of workforce training, to promote a healthy neighborhood economies, became obvious in the course of studying the issues present in Hollowell Parkway.

Successful revitalization strengthening the local workforce to build a competitive advantage.

- The need for multiple forces for successful development
  Franchises do appear to be beneficial for local entrepreneurs and the community, but their success is highly dependent on the collective effort of multiple complementary businesses to trigger a positive economic effect.

- Emphasis on primary and secondary education
  One of the biggest incentives a community can provide to a business attraction strategy is to make a ready workforce with a quality educational background. Early education that trains individuals in such a way that they are able to stay involved in the ever-changing economy is essential in today's world, especially with the growing impact of automation and technology. It is not about simply investing money in schools but rather investing time and strategic thought in the curriculum the schools use. Students must be seen as the community's economic future, and the generators of economic prosperity for the area.

In addition to these points, this study has also highlighted two major lessons that most experienced developers, as well as newly budding entrepreneurs, may not fully grasp, and neither of which is exclusive to a franchise strategy. The first is the lack of understanding of the immense amount of buying power that is being spent outside of the community. Previously, it was noted that the nation had eight-million inner-city households holding $85 billion, of which one-quarter was being spent outside of their neighborhood due to the lack of local purchasing options (Baldwin, 2003). That would equate to approximately $40 billion today in lost internal buying power for these inner-city neighborhoods which now house an estimated 20 million people (or 6% of the U.S. population of 325 million).(U.S. Census Bureau 2016). This is a significant number of inner city residents for developers and entrepreneurs to partner with in support of a community's economic development. Therefore, the first lesson is that economic development in a disadvantaged community should start by matching those with the know-how to practice economic development with those that hold an unrealized buying power. This collaboration can leverage more steady cash flows in the long term.

The second lesson learned is that there are numerous programs available at local, state, and federal levels to help small businesses succeed. The extensive list of economic tools, whether they be grants, loans, tax abatements, or counseling, highlights the need for an education and awareness campaign to help community members and local developers become aware of these options.

CONCLUSIONS

In this report, we reviewed prior research and other literature on franchises, identified strengths and weaknesses for its use in revitalizing a disadvantaged neighborhood, and identified public and private tools to help a franchise strategy become sustainable and survive beyond its start-up phase. From this foundation, we then developed case studies of potential franchise for an Atlanta inner city corridor long in need of revitalization. We conclude that a franchise model for local economic development is worthy strategy to consider adopting where there is a lack of experience, resources, or even awareness of alternative economic paths to a community's future. A franchise strategy could represent an underappreciated potential *tipping point* for reversing a community's decline, and making it an important part of a regional or metropolitan economy.

Franchising has many benefits that could help spark economic development along Hollowell Parkway and lead to further neighborhood revitalization. Not least among these is strong branding that serves as a signifier of a quality product or service. This predictability is key to overcoming consumers' doubts about a business located in a physically deteriorated or economically marginal neighborhood. A strong small business sector can have significant positive externalities for an area, including improved quality of life, wealth generation, provision of employment, and the multiplier effects that come from increased income circulating within the neighborhood. Capturing corridor traffic from outside the neighborhood may be particularly important in this last regard, helping to offset the leakage of income from the low-income neighborhood to other areas with more goods and services on offer.

There is also tension in the desire to provide jobs accessible to local residents and the ambition to provide higher-paying jobs that typically require more education or some specialized training. Barriers to entry into franchising can be high, not only due to initial franchising fees and start-up costs, but also as a result of personal asset minimums imposed by franchisors. If the goal is to encourage franchising by existing residents of low-income communities, franchisors and economic development organizations must waive or otherwise mitigate these requirements.

For Hollowell Parkway, an initial clustering of franchises filling key needs in the community, in a collective development approach, aims to generate enough activity to hold its own ground, and then attract more businesses over the years.

The use of franchise-oriented development is unlikely, by itself, to fully revitalize an urban neighborhood, but it can play an important part of the process. Success may also require proactive urban design projects to enhance the benefits driven by the proposed franchises. Additionally, training of residents and involving them in the development process will help support the initial success of the franchises being proposed along the parkway.

There remains an immense potential in disadvantaged and underserved neighborhoods, waiting to be unlocked, which can produce a community’s next generation of business leaders, prepare a workforce ready to take on new and bigger challenges, and provide improved availability of goods and services.

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