

**Bauer Farm Retail Market Study Supplement –
Re: Proposed West 6th Street and Wakarusa Drive Comprehensive Plan Text Amendment**

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The purpose of this memorandum is to address retail market considerations associated with amending the City of Lawrence Land Development Code and Horizon 2020 to accommodate an increase in the commercial node at West 6th Street and Wakarusa Drive.

An amended commercial center that includes the Bauer Farm development is evaluated within the context of the market criteria outlined in Horizon 2020. These criteria include:

- 1) The overall viability and the impact on the economic vitality and health of the community;
- 2) The appropriateness of phasing the development and the ability to absorb additional commercial square footage; and
- 3) A comparison of costs versus services.

Other relevant factors influencing the retail market addressed in this memo include the area's proximity to Downtown Lawrence, streets and the level of congestion in the commercial area.

1) Overall Viability and Economic Vitality of the Community

As stated in the Bauer Farm Retail Market Study dated April 13, 2010, there are at least three important findings that directly apply to the economic viability of the development. These findings are summarized as follows:

- a) The Build to Suit Factor - The commercial project is planned to satisfy a specific retail tenant, and the building will not be constructed unless and/or until the expected user and/or owner-occupant is financially committed to the Bauer Farm development site.
- b) The City's Declining Retail Pull Factor - Lawrence's 2008 pull factor of 0.99 reflects a decline of 16.8 percent in the past decade. This is the first time that the Kansas Department of Revenue has reported a pull factor for Lawrence below 1.00. Increasing consumer choices in the community is one strategy to reverse this decline.
- c) Below Retail Market Share in West Lawrence - The West 6th Street and Wakarusa Drive commercial node is one of the two nodes that make up the city's defined West Lawrence retail sub-market area. This sub-market area represents 20.2 percent of the Lawrence retail inventory. Yet, West Lawrence had approximately 23 percent of the city's population in 2000 and is still growing.

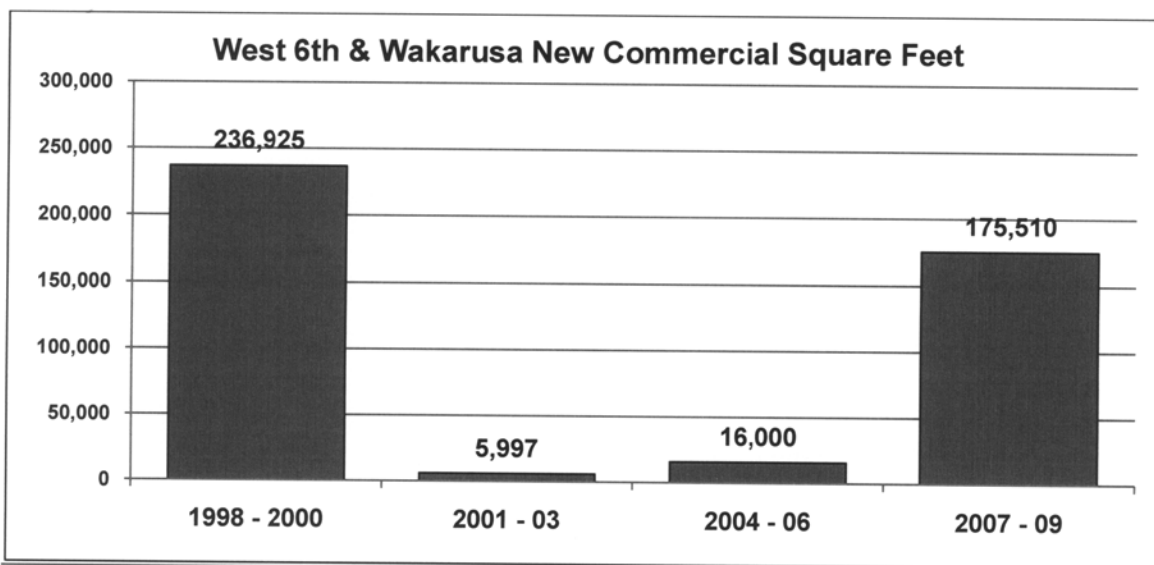
From 1990 to 2000, the population residing in ZIP Code 66049, where the West 6th Street and Wakarusa Drive area is located, grew by 7,723 persons. This population represented 43 percent of the city's increase from 1990 to 2000 and was the fastest

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growing part of the city during that decade. Since 2000, the area within 66049 ZIP Code has remained the fast growing residential area of Lawrence.

2) Appropriateness of Development Phasing

The amount of new commercial development constructed in the West 6th Street and Wakarusa Drive area since 1998 has fluctuated from 2 to 51 percent of the city's new commercial development as measured in three year periods. Horizon 2020 states that "three years is the typical cycle for commercial development in Lawrence to go from a concept to the opening of a store."



Since retail development first opened at West 6th Street and Wakarusa Drive in 1998 through 2009, the node has absorbed 26 percent of the city's new commercial development. More than 90 percent of this space has been absorbed by the Lawrence market. Although the citywide retail vacancy rate has increased from approximately 3.0 percent in 2000 to 6.1 percent in 2009, Lawrence's retail vacancy rate remains significantly lower than vacancy rates in Johnson County, Topeka, Kansas City and the U.S. national average.

The following Table I ("West 6th Street & Wakarusa Drive Commercial Development Phasing 1998 – 2009") presents the net and total changes in population and retail space in Lawrence in three year time frames since the initial commercial development in the West 6th Street and Wakarusa Drive area.

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**Table I
West 6th Street & Wakarusa Drive Commercial Development Phasing 1998 - 2009**

Year / Period	Lawrence Total			Lawrence Net Change		West 6 th Street & Wakarusa Drive	
	Population	Retail Square Feet	Retail Vacancy Rate	Population	Retail Square Feet	Square Feet Built	Percent of New Square Feet
1998	77,960	4,908,900	N / A	N / A	N / A	N / A	N / A
1998 – 2000	80,098	5,375,530	3.0%	2,138	466,630	236,925	51%
2001 – 2003	85,282	5,671,369	5.5%	5,184	295,839	5,997	2%
2004 – 2006	89,282	6,150,100	5.3%	4,000	478,731	16,000	3%
2007 – 2009	93,853	6,591,900	6.1%	4,571	441,800	175,510	40%
Total 1998 - 2009	15,893	1,683,000 Square feet	N / A	15,893	1,683,000 Square feet	434,432 Square feet	26%

Source: U.S. Census; City of Lawrence Planning Department; Horizon 2020; Grubb & Ellis The Winbury Group.

3) Comparison of Costs Versus Services

It is the City's practice that property owners and/or developers are responsible for immediately adjacent project-related off-site improvements (i.e. street widening, sidewalks, etc.). Therefore, there are no additional public costs associated with amending the land use. A substantial amount of infrastructure was constructed in conjunction with the Wal-Mart and therefore many of the necessary road improvements are already in place to accommodate additional square footage.

More importantly, the net annual revenues to the city of accommodating the proposed commercial land use are projected to be at least \$416,000. This amount is calculated based on a 2006 city commissioned study entitled Cost of Land Uses Fiscal Impact Analysis prepared by TischlerBise. The Cost of Land Uses Fiscal Impact Analysis dated March 10, 2006 examined the fiscal impact of 10 land uses being developed or anticipated in the City. The annual costs and revenues were measured to understand the fiscal effect each land use has on the City's budget. The land use categories analyzed included the approved residential mix and proposed commercial use at the Bauer Farm development.

The results were based on the City's fiscal year 2006 budget. It concluded that apartment units generate the largest net deficit to the City at \$341 per unit. (See Table II – "Annual Fiscal Impact of Approved vs. Proposed Commercial Land Uses") Although the apartments require lower municipal costs per unit, they also generate the lowest amount of municipal revenue. Retail land uses generate substantial surpluses to the City with big box (as defined in the TischlerBise analysis) retail generating the largest net annual benefit of \$2,711 per 1,000 square feet. The

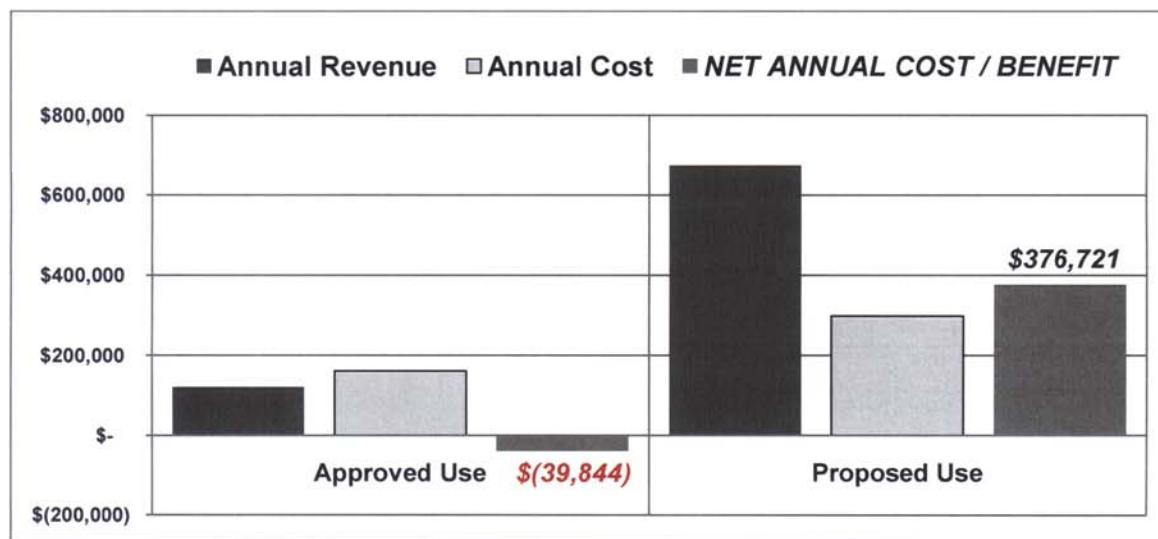
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results of this analysis realize a net benefit of over \$4 million per decade to the City of Lawrence for the proposed Bauer Farm commercial land use.

**Table II
Annual Fiscal Impact of Approved vs. Proposed Bauer Farm Commercial Land Uses**

Land Use	Approved Land Use			Proposed Land Use	Net Fiscal Impact
	Duplex	Multi-Family	Total Residential	Big Box	
Units	32 units	116 units	148 units	138,960 sq. feet	N / A
Annual Revenue per unit; per 1,000 sq. feet	\$1,170	\$725	N/A	\$4,857	N / A
Total Revenue: 148 units 138,960 square feet	\$37,440	\$84,100	\$121,540	\$674,929	\$553,389
Annual Costs per unit; per 1,000 sq. feet	(\$1,179)	(\$1,066)	N/A	(\$2,146)	N / A
Total Annual Cost: 148 units; 138,960 square feet	(\$37,728)	(\$123,656)	(\$161,384)	(\$298,208)	(\$136,824)
NET ANNUAL COST / BENEFIT	(\$288)	(\$39,556)	(\$39,844)	\$376,721	\$416,565

Source: Cost of Land Uses Fiscal Impact Analysis, City of Lawrence, Kansas, TischlerBise, March 10, 2006.



Other Market and Text Amendment Factors

In addition to the criteria cited in Horizon 2020, the following factors also warrant consideration as a part of the text amendment:

A. Proximity to Downtown Lawrence

In establishing a new commercial district at West 6th Street and Wakarusa Drive, the location within the community is relevant. The commercial nodes' distance to Downtown Lawrence is typical in comparison to other cities in the region. Like Lawrence, most communities in the area, indeed nationally, strive to preserve, enhance and strengthen downtown areas. Other cities seek to balance the economic viability of their downtowns with regional commercial centers within the community. Therefore, it is useful to compare the distance between downtown and other major commercial nodes within the city.

The West 6th Street and Wakarusa Drive commercial node is approximately 3.9 miles from Downtown Lawrence. This distance is near the combined average of regional commercial center(s) to from downtowns in Overland Park, Topeka, Emporia and Kansas City, Missouri. (See Table III – “Distance from Downtowns to Regional Commercial Districts”)

Table III
Distance from Downtowns to Regional Commercial Districts

City / Downtown	City's Regional Commercial Development	Distance from Downtown to Commercial Development
Downtown Overland Park	Oak Park Mall	5.1 miles
Downtown Topeka	Wanamaker Corridor	4.5 miles
Downtown Kansas City, Missouri:	Country Club Plaza	4.3 miles
	Crown Center	1.4 miles
Downtown Emporia	Flint Hills Mall	3.8 miles
Downtown Lawrence:	South Iowa Street Corridor	4.6 miles
	West 6th Street & Wakarusa Drive	3.9 miles
Average Downtown to Regional Commercial Center		4.0 miles

Source: Yahoo maps.

B. Street Capacity and Absence of Congestion

The design and capacity of streets is an important factor to the city and to businesses to encourage adequate access. The major streets serving the West 6th Street and Wakarusa Drive commercial node are located on a US highway and are classified the same as the major street serving the South Iowa commercial district. In theory and design, all principle arterials, including

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West 6th Street and Wakarusa Drive, are expected to accommodate the range of land uses in the immediate vicinity. The following Table IV presents the street classification for Lawrence's largest commercial areas.

**Table IV
Lawrence Street Classification By Commercial Area**

Commercial Area	US / State Highway	Major Street(s)	Street Classification
Downtown Lawrence	None	Massachusetts, Vermont, New Hampshire Streets	Major collectors
South Iowa Corridor	US-59; K-10	South Iowa Street	Principal arterial
West 23 rd Street	K-10	West 23 rd Street	Principal arterial
West 6th Street & Wakarusa Drive	US-40	West 6 th Street & Wakarusa Drive	Principal arterials

Source: Horizon 2020.

A number of roadways in Lawrence are experiencing significant congestion during peak periods and report a level of service "E" and "F". These levels of service mean that at times vehicular demand is near or greater than the carrying capacity for these streets. The streets designated with these levels of service include portions of West 6th Street (US-40) from Iowa Street east to downtown Lawrence and sections of Iowa, 23rd, 19th and Haskell Streets. The principle arterials serving the West 6th Street and Wakarusa Drive commercial node are not experiencing congestion. Changes in traffic patterns from amending the land use at this commercial node have been analyzed for the city and found to remain acceptable.

C. Specific Text Amendment Factors

The following factors further respond to the proposed Comprehensive Plan text amendment:

1. Changed Circumstances - Retail market conditions in Lawrence and Douglas County have changed since the Comprehensive Plan was adopted in 1998. The city's retail pull factor has declined by 20 percent decline from 1.19 to 0.99 and Douglas County's pull factor has declined by 13 percent from 0.98 to 0.85 in the past two decades. These declines are in contrast to the city's population growth and increase in KU student enrollment since adoption of the Plan.
2. Public Purpose – The proposed amendment will increase revenues to Lawrence's general fund while requiring fewer municipal service costs than if the land is developed as multi-family residential.
3. Long Range Goals and Policies – The proposed amendment is consistent with the following commercial land use goals and policies of Horizon 2020:

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GOAL 1: Established Commercial Area Development - Encourage the retention, redevelopment and expansion of established commercial areas of the community.

- Policy 1.3: Assure Compatibility of Development - New development and redevelopment shall conform to the applicable adopted design guidelines.
- Policy 1.6: Maintain an Inventory of Commercial Land - Maintain an appropriate supply of commercially zoned land so that site choices are available and infrastructure expansion can occur in an efficient and orderly manner.
- Policy 2.4: Provide Sufficient Site Area for the Design of Transitional Elements - Site improvements within commercial areas such as lighting, signage and landscaping shall be designed and coordinated in order to create a positive identity and visual image throughout the development area.

GOAL 3: Criteria for Commercial Development - Provide regional, community and neighborhood shopping opportunities to meet the commercial and retail needs of the community.

- Policy 3.1: Utilize Locational Criteria for Commercial Development - Commercial Nodes: Nodes shall occur at arterial/collector or arterial/arterial intersections depending on the type of commercial center.
- Policy 3.10: Criteria for the Regional Retail/Commercial/Office/Cultural Center Because of its high importance as an asset to the community, any new proposal for a new Regional Commercial Center must demonstrate that it will not have a substantial impact on Downtown Lawrence. (See Bauer Farm Retail Market Study April 13, 2010.)

4. Change in Public Policy – The text amendment proposes a change in public policy.
5. Adequacy of Existing and Planned Services and Facilities – Both the existing and proposed services associated with the proposed text amendment are adequate at the commercial node. A substantial amount of infrastructure was constructed in conjunction with the Wal-Mart at West 6th Street and Wakarusa Drive. Therefore, many of the necessary street improvements are already in place to accommodate additional commercial development.
6. Result in Reasonably Compatible Land Use Relationships – The text amendment will result in compatible land use. The proposed land use is already present at the Bauer Farm development and within the West 6th Street and Wakarusa Drive commercial node.

In conclusion, the West 6th Street and Wakarusa Drive commercial node has the capacity to absorb an increase in the amount of commercial development. The criteria stated by Horizon 2020 and other relevant market considerations can be reasonably satisfied to enable this proposed amendment.