

Memorandum

City of Lawrence

Planning and Development Services

TO: Lawrence City Commission

FROM: Amy Miller, AICP, CFM *Long-Range Planner*

CC: David L. Corliss, City Manager
Scott McCullough, Director, Planning and Development Services

Date: December 14, 2010

RE: Addendum to the 2010 Retail Market Report

This memo serves as an addendum to the 2010 Retail Market Report and is in response to questions raised by the Lawrence City Commission at their November 16, 2010 meeting.

Vacant Space

The first question involves a more detailed analysis of the larger vacant spaces in town, particularly with respect to the districts that had the highest vacancy rates as a percentage. At the time of the survey, the Kasold & 15th District had the highest vacancy rate at 29.1%, with the North Lawrence District (27.5%) and the Wakarusa & 15th District (26.4%) having the second and third highest vacancy rates. As stated in the report, it is important to note that while the Kasold & 15th District and the Wakarusa & 15th District both had high vacancy rates, they both have very low overall square footages compared to the other districts. The Orchard's Corner commercial development is the main contributor of total space to the Kasold & 15th District and it had over 20,000 square feet of vacant space in the district, split into multiple suites, at the time of the survey. The commercial development at the southeast corner of Bob Billings Parkway and Wakarusa Drive (Wakarusa & 15th District) had over 13,000 square feet of vacant space in this district, also split into multiple suites.

The largest single concentrations of vacant square footage in a single structure in a commercial zoning district are located at The Riverfront Mall, The Poehler Building (619 E. 8th St) and The I-70 Business Center (Old Tanger Mall, 1025 N. 3rd St).

By far, the Downtown District had the most amount of vacant square footage, coming in at over 139,000 square feet (represents a 7.5% vacancy rate for the district). The Riverfront Mall, The Old Reuter Organ Building, the former Strong's Office Supply Store (1040 Vermont St) and The Masonic Temple make up over 60% of the vacant space in the downtown district.

The North Lawrence District had the second highest amount of vacant square footage, coming in at over 86,000 square feet, as well as having the second highest percentage of vacant square footage at 27.5%. Vacancies at The I-70 Business Center (Old Tanger Mall) and the former Harley-Davidson Retailer (602 N. 2nd) make up half of the vacant square footage for this district.

Retail v. Non-Retail

The second question involves trends on the split between retail and non-retail uses over time. In Table 2.4, comparisons between the retail and non-retail square footage in each district in 2006 and 2009 are compared. The West 6th Street District decreased its amount of strictly retail uses by 18% from 2006 to 2009, while the 19th & Haskell District increased its retail uses almost 20% during those four years. Also of interest, the Wakarusa & 15th District decreased its retail uses 15% from 2006 to 2009, while the 6th & Wakarusa District increased its retail uses almost 13% during the same time period. Overall, the Lawrence market's share of strictly retail uses declined by approximately 7% from 2006 to 2009. It is important to note that some of the shift is attributable to the addition of the IL Zoning District to the 2009 inventory. Future market studies will help to identify if this is a true and permanent shift.

National & Regional Comparisons

The third question relates to the availability of regional and national data to draw comparisons with our local statistics. There are a few figures listed in Section 3.a of the report (page 9) that deal with comparisons of the amount of retail building stock and average per capita sales tax. The report lists per capita sales tax collected at \$135.5 in Lawrence. The last comparable figure put out by the U.S. Census Bureau's Economic Census is from 2002 and it puts the national average per capita sales tax collected at \$123. In 2007, the U.S. Census Bureau's Annual Retail Trade Survey, listed the total per capita spending on retail goods as being \$13,007. The U.S. Census Bureau has stopped figuring a national per capita figure based on tax, and instead now compiles a number based on total dollars spent on retail goods. Trying to convert sales tax collected to amount spent on retail goods for the Lawrence market would be challenging for many reasons, including the fact that we implemented additional sales taxes midway through the 2009 collection year.

There is an inherent difficulty in comparing the data in the Lawrence Retail Market Report with national and regional markets because of the differences in data collection. For example, the International Council of Shopping Centers (ICSC) compiles reports that list the national average for retail space per capita at 46.6 square feet in 2007. This figure is based on data from National Research Bureau (NRB) which includes all shopping centers over a certain size and some free-standing retail establishments over a certain size. This is the same figure that is also used by the U.S. Census Bureau in their 2007 Economic Census and is probably the most closely related to the figure of 46.5 retail square feet per capita noted in table 3.1 of the 2010 Retail Market Report. The figure from the 2010 Retail Market Report is compiled by first calculating all of the space in zoning districts that allow retail uses, then subtracting out the square footage associated with uses that are actually non-retail in nature and dividing the remaining figure by the population. Therefore the two methodologies differ and it is then difficult

to compare the figures in a meaningful or direct relationship. Comparisons can still be drawn, however, in this case since we know that the ICSC figure is more inclusive of retail space since it is not tied to use, then an inference could be made that Lawrence actually has more retail square footage per capita than the national average, since Lawrence has 98.4 square feet per capita of space in zoning districts that allow commercial uses (Table 3.1 in the 2010 Retail Market Report).

Besides the U.S. Census Bureau and other national organizations, other groups also compile and release data that deal with the retail market. The most readily available data in this category comes from development groups and should therefore be used only with the knowledge that it is primarily for that purpose. For example, The Lane4 Group, a retail development group, puts out a Midwest Retail Report, the latest of which was issued in 2008. The report lists the Kansas City market as having a vacancy rate of 8.9%. They list the source of their data as REIS, Inc, which is a company that provides commercial real estate information nationwide, primarily for use by real estate professionals. Information regarding how the vacancy rate was figured is not readily available, however, therefore it is difficult to tell if it can be directly compared to the vacancy rate listed in the Retail Market Report.

While looking at national and regional trends can be important, given the data comparison limitations discussed above, looking at the balance between the change in the supply and demand within the market over time is even more important in determining the health of a market.