



**2010
RETAIL
MARKET
REPORT**



**PLANNING &
DEVELOPMENT
SERVICES**

**CITY OF
LAWRENCE,
KANSAS**

OCTOBER 2010

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1. Background

The City of Lawrence has grown from a population of 65,608 people in 1990 to 92,727 people in 2010, a growth of 41% in 20 years.¹ With this population growth, an increase in residential, commercial and industrial development has followed. Concerns were raised in the 1990's that retail growth was out-pacing population growth. Language was included in *Horizon 2020* in the mid-1990's that required the City to maintain an inventory of commercial space as well as general language requiring impact analysis studies for certain projects. The City commissioned a study in 1997, "Retail Market Dynamics", by Professor Kirk McClure that analyzed the retail market in response to numerous requests for development, specifically in the South Iowa district. This report analyzed the retail stock in all zoning districts, as well as retail sales tax figures.

In 2004, *Horizon 2020*, specifically Chapter 6: Commercial Land Use, was revised to include more specific language in Policy 3.11 that pertained to the requirement for the monitoring of retail space in the City and requiring retail market studies to be submitted for projects that add 150,000 square feet or more of retail space to the City. In 2005, the City hired Development Strategies Inc. (DSI) to perform an update to the retail market analysis performed in the late 1990's.² This report analyzed retail stock in all zoning districts, and used population and income to determine demand in the market.

The City adopted the *Land Development Code* on July 1, 2006, and it contains provisions in Section 20-1107 that require a retail market analysis be completed for a zoning or site plan application that could result in 50,000 square feet of retail space being added to the City. It defines a retail business as one of the following NAICS (North American Industrial Classification System) codes: 44-45 Retail Trade, 722 Food Services and Dining Places, 811 Repair and Maintenance, and 812 Personal and Laundry Services. Examples of Non-retail businesses that typically locate in commercial zoning areas are professional offices, hotels, and banks.

In order to get an effective picture of the retail market, it is necessary to look at both the supply side of market, as well as the demand within the market. This retail market analysis aims to measure the amount of space and type of businesses that are located in commercial zoning districts throughout the City, which makes up the supply side of the equation. The retail market is extremely dynamic and therefore this inventory is merely a snapshot in time taken in

¹ Population figures for 1990 provided by the U.S. Census Bureau. Population figure for 2010 is estimated by the Lawrence-Douglas County Planning Department.

² <http://www.lawrenceplanning.org/documents/RetailMarketStudy.pdf>

August 2010. On the demand side, measures of population, income, and retail sales growth are computed in order to determine demand. This report serves as a follow-up to the 2006 Retail Market Report completed in 2007 that uses the same methodology.³

Planning staff has developed a model of collecting and analyzing data that integrates Geographic Information Systems (GIS) with databases to help provide the entire picture. The development of this model sets a foundation for the information to be updated annually using consistent methods.

For a healthy retail economy, it is important for there to be similar growth in income, population, retail sales tax dollars and inventory of stock. *Horizon 2020* and the *Land Development Code* both mandate that the inventory and analysis be updated annually.

³ <http://www.lawrenceplanning.org/documents/2006Retail.pdf>

2. Supply

2.a. Square footage of retail space

The City of Lawrence is split into different zoning classifications and retail uses are primarily permitted in commercial zoning districts. This study aims to determine the amount of built square footage that is located within these commercial zoning districts, including CN1, CN2, CO, CD, CC200, CC400, CR, CS, and any PCD or Commercial PUD. In addition to the commercial zoning districts, the IL zoning district also permits some retail uses and therefore space in the district is included in this report in District 19. In order to better analyze the data, the market was split into nineteen distinct geographical districts.

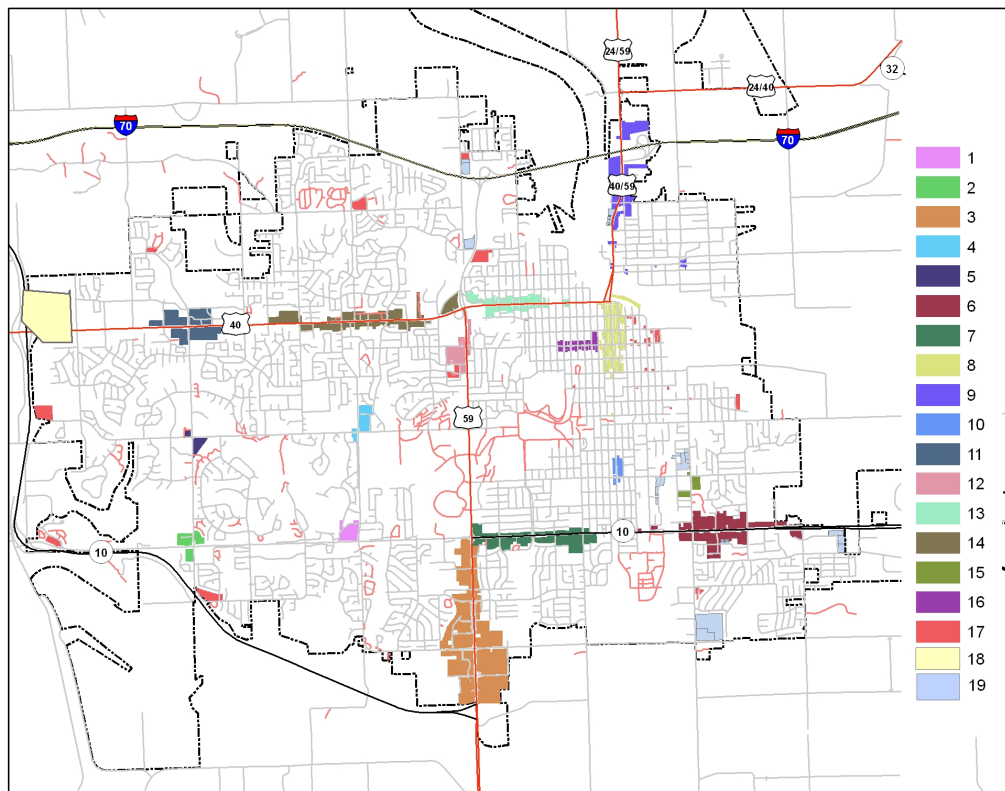
Table 2.1: Square footage by District			
District ID	District Name	Total Square Footage	% Share of Total Market Square Footage
1	Clinton Pkwy & Kasold	129,038	1.4%
2	Clinton Pkwy & Wakarusa	98,032	1.1%
3	South Iowa	1,996,450	21.9%
4	Kasold & 15 th (BBP)	71,600	0.8%
5	Wakarusa & 15 th (BBP)	50,300	0.6%
6	East 23rd St	501,099	5.5%
7	West 23rd St	711,791	7.8%
8	Downtown	1,857,339	20.4%
9	North Lawrence	314,876	3.5%
10	19th & Massachusetts	100,892	1.1%
11	6th & Wakarusa	378,375	4.1%
12	9th & Iowa	299,699	3.3%
13	East 6 th St	308,709	3.4%
14	West 6 th St	1,287,720	14.1%
15	19th & Haskell	31,412	0.3%
16	9th Street	165,710	1.8%
17	Miscellaneous	492,225	5.4%
18	Mercato	0	0.0%
19	IL Zoning	325,300	3.6%
Overall Total		9,120,567	

Overall, the City has a total of 9,120,567 square feet of space in commercial zoning districts. Of the nineteen geographic districts, the South Iowa district contains the most space, with 1,996,450 square feet, or a 22% share of the

market. The Downtown district contains 1,857,339 square feet of space or a 20% share of the market. The third largest district is the West 6th Street district, which contains 1,287,720 square feet or a 14% share of the market. The Mercato district was recently zoned and annexed. It is expected to have somewhere around 400,000 square feet of commercial space, but is currently undeveloped.

The following map provides an illustrative breakdown of the districts. The table above shows the corresponding name that goes with each district identification number in the legend.

Figure 2.1: District Breakdown



The market as a whole contains 642,195 square feet of vacant space, which equates to a 7% vacancy rate for all built space within commercial zoning districts. The Kasold and 15th Street district (29.1%) and the Wakarusa and 15th Street district (26.4%) have the highest vacancy rates, but it is important to note that the overall square footage of those districts is rather low. The North Lawrence district also contains a high vacancy rate of 27.5%. The Downtown district contains the most vacant square footage, 139,305 square feet, but its vacancy rate is 7.5%, which falls in the middle range of all districts. It is also

important to note that at the time of the survey, the 9th Street district was the only area to have no vacancy.

As a whole, the entire market contains 4,313,958 (47.3 %) square feet of space occupied by retail uses as defined by the *Land Development Code*, and 4,164,414 (45.7%) square feet of space occupied by non-retail uses. This breakdown varies greatly by district, with the West 23rd Street district, the 19th & Massachusetts Street district, and the South Iowa district having the highest percentage of retail uses. The IL Zoning and Miscellaneous district contained the lowest percentage of retail uses.

Table 2.2: Percent of square footage by district by use								
District ID	District Name	Total Square Footage	Vacant		Retail		Non-Retail	
			Sq. Ft	% Sq. Ft	44-45, 722, 811, 812	% Sq. Ft.	Sq. Ft	% Sq. Ft
1	Clinton & Kasold	129,038	10,000	7.7%	98,498	76.3%	20,540	15.9%
2	Clinton & Wak.	98,032	4,500	4.6%	32,532	33.2%	61,000	62.2%
3	South Iowa	1,996,450	54,658	2.7%	1,618,048	81.0%	323,744	16.2%
4	Kasold & 15th	71,600	20,800	29.1%	21,500	30.0%	29,300	40.9%
5	Wakarusa & 15th	50,300	13,300	26.4%	22,000	43.7%	15,000	29.8%
6	East 23rd St	501,099	67,900	13.6%	210,211	41.9%	222,988	44.5%
7	West 23rd St	711,791	47,792	6.7%	559,655	78.6%	104,344	14.7%
8	Downtown	1,857,339	139,305	7.5%	590,105	31.8%	1,127,929	60.7%
9	North Lawrence	314,876	86,484	27.5%	91,928	29.2%	136,464	43.3%
10	19th & Mass.	100,892	5,500	5.5%	87,362	86.6%	8,030	8.0%
11	6th & Wakarusa	378,375	24,500	6.5%	264,377	69.9%	89,498	23.7%
12	9th & Iowa	299,699	14,778	4.9%	76,340	25.5%	208,581	69.6%
13	East 6 th St	308,709	16,650	5.4%	134,068	43.4%	157,991	51.2%
14	West 6 th St	1,287,720	29,628	2.3%	363,491	28.2%	894,601	69.5%
15	19th & Haskell	31,412	5,000	15.9%	21,912	69.8%	4,500	14.3%
16	9th Street	165,710	0	0.0%	45,806	27.6%	119,904	72.4%
17	Miscellaneous	492,225	55,000	11.2%	69,725	14.2%	367,500	74.7%
18	Mercato	0	0	0.0%	0	0.0%	0	0.0%
19	IL Zoning	325,300	46,400	14.3%	6,400	2.0%	272,500	83.8%
Overall Total		9,120,567	642,195	7.0%	4,313,958	47.3%	4,164,414	45.7%

2.b. Historical Trends

As previously stated, this study aims to determine the amount of square footage that lies within the Commercial Zoning districts. In trying to analyze historical trends with the data, it is important to note that some retail uses are permitted in other zoning districts, and for that reason the IL zoning district was also included since retail uses are also allowed in that zoning district.

Previous market studies completed before 2006 used different criteria in determining what square footage should be counted in their numbers. The market study report that was completed by an outside consultant (DSI) for the City in 2005 tried to identify space that was designed for retail uses, independent of their location. The study conducted by Professor Kirk McClure in 1997 also identified space in distinct districts throughout town that were designed for retail uses. Since both of those two previous studies did not identify space with respect to the underlying zoning, and used interpretation to decide what spaces to include, the conclusions reached were based on different sets of assumptions. In addition, since the DSI report, McClure report, and this current report do not use the same assumptions when measuring retail space, it is difficult to compare square footage amounts over time.

As mentioned, this study follows a model developed by staff and used in the 2006 Retail Market Report. The intent is that from each year forward, the model will be followed yielding data that can be compared to reliably provide historical trend information.

The following table details historical trends with square footage amounts. It is important to keep in mind the above mentioned concerns with respect to data collection when analyzing this information, and therefore square footage amounts from 1993 to 2005 can not be compared to the 2006 and 2010 numbers.

Table 2.3: Square Footage Trends		
Year	Total Square Footage	Avg. Annual % Change Sq. Footage
2010	9,120,567	5.1%
2006	7,581,660	17.0%
2005	6,479,100	4.5%
2000	5,299,404	6.1%
1997	4,484,011	1.3%
1995	4,372,183	4.9%
1993	3,984,509	
Avg. Annual 2005-2010 Change		8.2%
Avg. Annual 2005-2000 Change		4.5%
Avg. Annual 2000-1995 Change		4.2%

While this table shows an increase of approximately 1.5 million square feet to the market from 2006 to 2010, the majority of that increase is due primarily to three

factors: the addition of the IL Zoning district, the construction of new space (primarily on the northwestern side of Lawrence), and the addition of previously uncounted space, that should have been counted in the 2006 study.

Table 2.4: Comparison of percent of square footage by district by use										
District ID	District Name	Vacant			Retail			Non-Retail		
		2006 % Sq. Ft	2010 % Sq. Ft	% Change	2006 % Sq. Ft.	2010 % Sq. Ft.	% Change	2006 % Sq. Ft	2010 % Sq. Ft	% Change
1	Clinton & Kasold	2.4%	7.7%	5.3%	84.4%	76.3%	-8.1%	13.2%	15.9%	2.7%
2	Clinton & Wak.	2.0%	4.6%	2.6%	31.1%	33.2%	2.1%	66.8%	62.2%	-4.6%
3	South Iowa	4.9%	2.7%	-2.2%	77.5%	81.0%	3.5%	17.6%	16.2%	-1.4%
4	Kasold & 15th	17.3%	29.1%	11.8%	33.8%	30.0%	-3.8%	48.9%	40.9%	-8.0%
5	Wakarusa & 15th	8.0%	26.4%	18.4%	59.2%	43.7%	-15.5%	32.8%	29.8%	-3.0%
6	East 23rd St	9.4%	13.6%	4.2%	51.8%	41.9%	-9.9%	38.8%	44.5%	5.7%
7	West 23rd St	4.0%	6.7%	2.7%	82.7%	78.6%	-4.1%	13.3%	14.7%	1.4%
8	Downtown	8.6%	7.5%	-1.1%	33.7%	31.8%	-1.9%	57.6%	60.7%	3.1%
9	North Lawrence	13.7%	27.5%	13.8%	41.2%	29.2%	-12.0%	45.1%	43.3%	-1.8%
10	19th & Mass.	5.3%	5.5%	0.2%	79.2%	86.6%	7.4%	15.5%	8.0%	-7.5%
11	6th & Wakarusa	14.2%	6.5%	-7.7%	57.1%	69.9%	12.8%	28.7%	23.7%	-5.0%
12	9th & Iowa	3.9%	4.9%	1.0%	35.2%	25.5%	-9.7%	60.9%	69.6%	8.7%
13	East 6 th St	2.1%	5.4%	3.3%	52.1%	43.4%	-8.7%	45.8%	51.2%	5.4%
14	West 6 th St	5.4%	2.3%	-3.1%	46.5%	28.2%	-18.3%	48.1%	69.5%	21.4%
15	19th & Haskell	10.0%	15.9%	5.9%	49.9%	69.8%	19.9%	40.1%	14.3%	-25.8%
16	9th Street	3.0%	0.0%	-3.0%	24.8%	27.6%	2.8%	72.2%	72.4%	0.2%
17	Miscellaneous	8.3%	11.2%	2.9%	14.0%	14.2%	0.2%	77.7%	74.7%	-3.0%
18	Mercato	N/A	0.0%	N/A	N/A	0.0%	N/A	N/A	0.0%	N/A
19	IL Zoning	N/A	14.3%	N/A	N/A	2.0%	N/A	N/A	83.8%	N/A
Overall Total		6.7%	7.0%	0.3%	54.3%	47.2%	-7.1%	39.0%	45.7%	6.7%

While the overall vacancy rate has remained relatively steady over the last four years, there have been wide fluctuations within certain districts between 2006 and 2010. Of note, the Wakarusa and 15th Street district went from an 8% vacancy rate to a 26% vacancy rate, while the 6th and Wakarusa Street district went from a 14% vacancy rate in 2006 to a 6.5% vacancy rate in 2010.

The West 6th Street District decreased its amount of retail uses by 18% from 2006 to 2010 and the 19th and Haskell Street district increased its amount of retail uses by almost 20% during the same time period.

3. Demand

3.a. Per Capita Analysis

Multiple factors can be used to determine the demand for retail goods within a market. One measure of demand involves population and the rate at which population growth corresponds with growth in retail sales and square footage. Usually this is measured as a *per capita* figure, or an average per person. For 2010, the per capita figures show that the City of Lawrence has roughly 98 square feet of commercial space per capita, and roughly 47 square feet per capita of retail uses within that commercial space. This is a 16.5% increase in commercial space per capita from 2007 to 2010. The City of Lawrence has slightly more retail square footage per capita, when compared with average figures for the United States as a whole.⁴ In addition, in a survey of 361 markets, Lawrence ranked 36 as having the most per capita retail building stock.⁵

Table 3.1: Per Capita Analysis

Year	Pop. Estimate	Total Sq. Footage	Per Capita Sq. Ft.	Retail Sq. Footage	Per Capita Retail Sq. Ft.	Total Adjusted Sales Tax ⁶	Per Capita Sales Tax
2007	89,690	7,581,660	84.5	4,121,547	46.0	\$12,885,951	143.7
2010	92,727	9,120,567	98.4	4,313,958	46.5	\$12,567,513	135.5

On average, \$136 in sales tax was spent in 2009 per capita. The latest reliable figures available are from the U.S. Census Bureau's Economic Census conducted in 2002, which puts the average per capita sales tax at \$123.⁷

⁴ According to the *International Council of Shopping Centers*, the U.S. average for square feet of retail space per person is 40.5 for 2004.

<http://www.icsc.org/srch/rsrch/researchquarterly/current/rr2005122/US%20Retail%20Space.pdf>

⁵ According to the *International Council of Shopping Centers*.

<http://www.icsc.org/srch/rsrch/researchquarterly/current/rr2005122/US%20Retail%20Space.pdf>

⁶ Adjusted Sales Tax figures for 2010 are from 2009 calendar year, since the 2010 figures had not been released as of the date of this report.

⁷ U.S. Census Bureau

Table 3.2: Per Capita Sales Tax Trends			
Year	Population	Adjusted Sales Tax Collections 2009 Dollars	Per Capita Sales Tax
2010	92,727		
2009	91,464	\$12,567,513	\$137
2008	90,866	\$12,852,251	\$141
2007	90,311	\$12,885,951	\$143
2006	89,690	\$13,047,202	\$145
2005	88,664	\$13,008,126	\$147
2004	87,184	\$12,991,323	\$149
2003	85,282	\$12,725,414	\$149
2002	83,495	\$12,867,247	\$154
2001	81,457	\$13,010,209	\$160
2000	80,098	\$13,119,093	\$164
1995	73,419	\$11,863,168	\$162
1990	65,608	\$9,991,482	\$152
Avg. Per Capita Sales Tax 2000-2009			\$149
Avg. Per Capita Sales Tax 1990-1995			\$157

3.b. Sales Tax Analysis

As of July 1, 2010, the State of Kansas collects an 8.85% sales tax on goods and services in the City of Lawrence. 6.3% of the total tax goes to the State of Kansas, 1% goes to Douglas County, 1% goes to the City of Lawrence and a special .55% sales tax goes to the City of Lawrence for infrastructure and transit improvements. Sales tax is a measure by which to determine the demand of retail goods and services. There are, however, limitations to the data. Most businesses choose to report their sales tax using a "reporting address", which may or may not be the physical location where the goods or services were sold. In addition, businesses with more than one location need only submit one form to the state. These two problems are inherent to the sales tax system and limit the reliability to which sales tax data may be analyzed. Also, there are confidential limitations to the data that prevents the data from being broken down by district and then broken down again by NAICS category.

Starting with the 2006 Lawrence sales tax collection file provided by the State of Kansas Department of Revenue, each sales tax account number was coded to a district based on address, known name of business, alias, and any other identifying features. For single records that were reporting for multiple locations,

a ratio of square footage was used to split the sales tax across all locations. There were numerous records that were either out of state sales shipped to Lawrence locations, or were unidentifiable as Lawrence businesses. The sales tax for those “other” records was incorporated into the totals keeping the same market share percentages of each district intact.

Based on those limitations to the data, it is not a reliable way to determine demand at the district level, unless comparing that same breakdown over time. This unreliability is illustrated by the inaccuracy in the percent of market share figures below in Table 3.3, and represents the limitations on breaking down the data because of the way that the Kansas Department of Revenue collects the data. However, it is possible to compare the 2006 and 2009 breakdowns to each other in order to look for variations over time.

Table 3.3: Retail Sales Tax by district							
District	District	2006			2009		
		% of Market	% of Market	Ratio of Sales Tax to Sq. Ft.	% of Market	% of Market	Ratio of Sales Tax to Sq. Ft.
		Share	Share	Sales Tax	Share	Share	Sales Tax
ID	Name	Sq. Ft.	Sales Tax	Sq. Ft.	Sales Tax	Sq. Ft.	Sales Tax
1	Clinton & Kasold	1.6%	3.3%	3.3	1.4%	2.4%	2.3
2	Clinton & Wakarusa	1.3%	0.1%	0.1	1.1%	1.0%	1.3
3	South Iowa	26.2%	43.6%	2.7	21.9%	37.0%	2.3
4	Kasold & 15th	0.9%	0.6%	1.0	0.8%	0.4%	0.7
5	Wakarusa & 15th	0.7%	0.6%	1.4	0.6%	0.5%	1.2
6	East 23rd St	5.5%	4.9%	1.4	5.5%	4.6%	1.2
7	West 23rd St	9.1%	18.3%	3.3	7.8%	16.3%	2.9
8	Downtown	22.7%	13.6%	1.0	20.4%	14.6%	1.0
9	North Lawrence	3.6%	1.3%	0.6	3.5%	0.7%	0.3
10	19th & Massachusetts	1.2%	0.5%	0.7	1.1%	0.6%	0.7
11	6th & Wakarusa	3.5%	0.8%	0.4	4.1%	8.9%	3.0
12	9th & Iowa	3.1%	1.7%	0.9	3.3%	1.6%	0.7
13	East 6 th St	3.5%	1.5%	0.7	3.4%	1.4%	0.6
14	West 6 th St	10.5%	7.1%	1.1	14.1%	6.2%	0.6
15	19th & Haskell	0.4%	0.1%	0.3	0.3%	0.6%	2.4
16	9th Street	2.1%	0.7%	0.6	1.8%	1.2%	0.9
17	Miscellaneous	4.1%	1.2%	0.5	5.4%	1.8%	0.5
18	Mercato	N/A	N/A	N/A	0.0%	0.0%	0.0
19	IL Zoning	N/A	N/A	N/A	3.6%	0.2%	0.1
Lawrence Market Overall				1.6			1.4

Of note, the 6th and Wakarusa District increased its share of the market square footage by .6% from 2006 to 2010, but increased its share of the market sales tax by 7.1% during that same time period. Also, the Downtown market remained very stable from 2006 to 2010 with its ratio of sales tax to square feet remaining the same at 1.0.

3.c. Pull Factors Analysis

A City Trade Pull Factor is an economic indicator that measures the balance of trade. It is computed by dividing the per capita sales tax of the city or county by the statewide per capita sales tax. A perfectly balanced area has a pull factor of 1.00, meaning that the same amount that people spend outside of the area on goods is offset by the amount that people from out of the area come in to the area to purchase. A pull factor less than 1.00 means that more money is being spent elsewhere than is being brought into the area and is seen as an unfavorable balance of trade. A positive pull factor, or one that is greater than 1.00 means that more purchases are being made from people coming from outside of the area than by residents who leave the area to make their purchases. A positive pull factor is seen as a favorable balance of trade.

The Kansas Department of Revenue develops annual reports that detail city and county pull factors. In fiscal year 2009, the City of Lawrence had a pull factor of .99, a 11% decline from 2005 to 2009. Also, Lawrence fell from a ranking of 14 in 2006 to a ranking of 19 in 2009 in the list of the top 25 “class A” cities in Kansas.⁸ This means that not only has the pull factor been declining since 2005, but it also indicates that Lawrence has a slightly unfavorable balance of trade.

Table 3.4: Lawrence Trade Pull Factors and Trade Capture Area Figures						
	Collections	Per Capita	Pull Factor	Trade Area Capture	% of County Sales	Population ⁹
FY 2009	\$67,723,146	\$696	.99	89,630	92.3%	90,083
FY 2008	\$63,864,019	\$714	.99	88,638	92.5%	89,415
FY 2007	\$61,894,678	\$702	1.02	89,985	92.4%	88,168
FY 2006	\$60,892,108	\$748	1.12	90,982	91.3%	81,379
FY 2005	\$58,300,971	\$716	1.11	90,058	90.9%	81,417

In addition, the Kansas Department of Revenue calculates Trade Area Capture Figures that measures the trade area served by the community. It is figured by multiplying the city’s population by the pull factor. This number helps to identify

⁸ Pull Factors are produced by the Kansas Department of Revenue.

<http://www.ksrevenue.org/pdf/citypullfactorfy06.pdf>

<http://www.ksrevenue.org/pdf/pullfactorfy06.pdf>

⁹ These population estimates are from the Kansas Department of Revenue.

the percent of county sales that the city has. In the case of Lawrence, the share that Lawrence has of county sales has risen slightly from 90.9 % in 2005 to 92.3% in 2009.

Table 3.5: Historical City Trade Pull Factors

	City of Lawrence	Douglas County
FY 09	.99	.85
FY 08	.99	.85
FY 07	1.02	.87
FY 06	1.12	0.97
FY 05	1.11	0.99
FY 04	1.10	0.96
FY 03	1.06	0.93

3.d. Historical Trends

It is possible to look at historical data on population, income and sales tax dollar collections since the method for collecting this data has not changed over time. From 2005 to 2010, the population of the City of Lawrence grew an average of .9% a year; however, there was a .9% average annual decrease in sales tax collections and a .8% average annual increase in income after adjusting both monetary figures for inflation. Simply stated, the population generally has been growing at a faster pace than money being spent on retail goods. Most recently, from 2008 to 2009, the population far outpaced retail spending, which fell by 2.2%.

Table 3.6: Population, Sales Tax and Income Trends						
Year	Population	Avg. Annual % Change Population	Adjusted Sales Tax Collections 2009 Dollars	Avg. Annual % Change Sales Tax	Adjusted Per Capita Income 2009	Avg. Annual % Change Income
2010	92,727	1.4%				
2009	91,464	0.7%	\$12,567,513	-2.2%	\$31,253	-0.2%
2008	90,866	0.6%	\$12,852,251	-0.3%	\$31,331	-2.4%
2007	90,311	0.7%	\$12,885,951	-1.2%	\$32,105	1.0%
2006	89,690	1.2%	\$13,047,202	0.3%	\$31,794	5.0%
2005	88,664	1.7%	\$13,008,126	0.1%	\$30,283	-1.4%
2004	87,184	2.2%	\$12,991,323	2.1%	\$30,728	-1.9%
2003	85,282	2.1%	\$12,725,414	-1.1%	\$31,312	-0.3%
2002	83,495	2.5%	\$12,867,247	-1.1%	\$31,417	-0.2%
2001	81,457	1.7%	\$13,010,209	-0.8%	\$31,472	2.1%
2000	80,098		\$13,119,093		\$30,831	
1995	73,419		\$11,863,168		\$26,057	
1990	65,608		\$9,991,482		\$23,890	
Avg. Annual Change 2005-2010		0.9%		-0.9%		0.8%
Avg. Annual Change 2000-2005		2.1%		-0.2%		-0.3%
Avg. Annual Change 1995-2000		1.8%		2.1%		3.7%
Avg. Annual Change 1990-1995		2.4%		3.7%		1.8%

4. Conclusion

On the supply side, the City of Lawrence contains over 9 million square feet of space in commercial zoning districts, with the South Iowa, West 6th Street, and Downtown districts combined making up more than half of the market. Of that 9 million square feet of space in commercial zoning districts, 47% is occupied by strictly retail uses. The overall Citywide vacancy rate for space in commercial zoning districts is 7%. This vacancy percentage is less than the 8% threshold established by *Horizon 2020* and the Land Development Code and remains relatively steady when compared to the 2006 vacancy number of 6.7%. It is notable that this is the highest that this percentage has been in the last ten years.

The City has numerous projects (over 50,000 square feet) that have received various levels of approvals and are therefore "in process". Together, these projects total roughly 600,000 square feet of retail space being added to the City. These projects are all called out as appropriate land uses in *Horizon 2020*.

Table 4.1: Proposed Projects	
Project	Square Footage
Bauer Farm – yet to be constructed	51,475
Mercato	359,640
Fairfield Farms	200,000
Total	611,115

On the demand side, population growth has been slowing down from historical highs of over 4% in the 1990's to less than 1% a year for the last 5 years. The same is true for both incomes and sales tax revenues. The declining pull factors for the City of Lawrence indicate that there is an unfair balance of trade, meaning more money is being spent outside the City than in previous years.

Future additions to the retail market should not outpace demand, unless other factors outweigh the demand constraints. Such factors would include neighborhood commercial uses being needed to serve new residential development, market-benefiting redevelopment opportunities, or certain locations benefiting from specific uses.

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.