

Market Area	Under 17 residents as % of Population 2000	Under 17 residents as % of Population 2011	Change
Primary	21.16%	23.85%	2.69
Secondary	21.43%	23.53%	2.1
Tertiary	23.27%	23.11%	-0.16
Metro	25.07%	25.24%	0.17

**Traffic –**

Traffic counts from the Iowa Department of Transportation show an average daily count of 19,900 on Hickman to the west of 63<sup>rd</sup>, 20,500 on Hickman to the east of 63<sup>rd</sup>, and 12,300 on 63<sup>rd</sup> south of Hickman (Figure 7). For comparison purposes, the traffic count on 63<sup>rd</sup> just north of the I-235 interchange is 23,900 cars per day – the traffic count for I-235 near the 63<sup>rd</sup> exit is approximately 100,000 cars per day. According to the Des Moines Metropolitan Planning Organization, by 2035 the traffic at the intersection of 63<sup>rd</sup> and Hickman is expected to increase to 21,900 on Hickman to the west of 63<sup>rd</sup> (10% increase), 27,200 on Hickman to the east of 63<sup>rd</sup> (33% increase), and 24,400 on 63<sup>rd</sup> south of Hickman (98% increase). High traffic exposure will provide continued support for development at the project site. Recent street improvements to Hickman enhanced safety around the project intersection, and established a traffic signal at Westover Boulevard that will greatly improve access to this site. These street changes also increase the importance of developing this site in an integrated manner. Because the new traffic median on Hickman restricts west-bound traffic turning out of the site, access points should be coordinated to achieve good traffic flow.



Figure 7 – 2009 Traffic Counts and 2035 traffic projections near intersection of 63<sup>rd</sup> St and Hickman Rd.

Source: Iowa Department of Transportation, Des Moines Metropolitan Planning Organization

**3. ANALYSIS OF MARKET POTENTIAL**

**RETAIL**

**Recommendations:**

The following types of retail establishments have the greatest potential for success on this project site, based on desired neighborhood character, amount of space available, and retail market conditions:

- Pharmacies and Drug Stores
- Supermarkets, Grocery Stores
- Full Service Restaurants
- Misc. Retail, especially: Convenience Stores; Florists; Beer, Wine & Liquor; Appliances
  - Due to relatively smaller market demand for each category, misc. retail uses would work best as part of a neighborhood strip center and/or in retail bays adjacent to larger anchor use.

The rationale for these recommendations is outlined in the following section.

**Retail Gap Analysis**

This market demand and supply assessment analyzes retail supply and demand in the market areas, to identify types of retailers that would have the greatest chance for success on the project site. In this assessment, the supply is defined as total annual sales (in \$) by businesses located in the market area, while demand is defined as total annual consumer expenditures (\$) of residents living in the market area. The demand numbers are based on average consumer spending numbers multiplied by the population of the market area. The current sales and expenditures are identified for various retail categories using data from Claritas, and then compared. When consumer spending (demand) exceeds retail sales (supply) there is a retail "gap," indicating that the market area is losing resident consumer spending to surrounding areas. When retail sales (supply) exceed consumer spending (demand) there is a retail "surplus", indicating that the market area is attracting spending from outside of the area. Gaps reveal opportunities for retail growth, while surpluses indicate areas in which the market may already have a competitive advantage. For some markets, competitive advantages may result in opportunities to build on those strengths with additional co-location of similar businesses. A good example of this is the tendency for auto dealerships to concentrate on particular corridors. Conversely, in other markets surpluses can be an indication that market demand is already satisfied and additional supply would not be supported. The retail gaps and surpluses should not be read as a guarantee of success or failure of a specific business or development, but are meant rather to reflect general retail trends for the market areas.

When looking at total retail sales for all categories, the data reveal that the primary and secondary markets have an overall retail gap, indicating that the area is losing resident consumer spending to the surrounding area. The tertiary market, in contrast, has an overall surplus, due to the presence of several large commercial attractors, such as the Merle Hay mall.

There are a number of retail categories in which all three market areas have a "gap," indicating that there may be opportunity for a new business to fill that gap. These categories and their

associated spending gaps are listed in Table 5, in order of the size of spending gap. The table lists the approximate square footage that could be supported by the spending gap, using an average of \$320 sales/square foot, based on averages contained in the Urban Land Institute’s (ULI) Dollars and Cents of Shopping Centers, 2008. Approximate square footages of existing stores in the metro area are listed for most categories, to illustrate if the spending gap can support a typical store of this type.

Note: It’s important to keep in mind that the estimates of the spending gap and associated square footage for each category are estimates for the *entire* market area. The amount of the spending gap that could be captured at the project site is difficult to pin-point, and will vary depending on the nature of the retail category, the quality of the proposed development and competition from other sites in the market area being developed now or in the future.

The project site is approximately 7.9 acres, which would accommodate approximately 103,000 square feet of retail, office, or residential space (given a typical FAR of 0.3).

Not all of the categories listed below would fit with the city’s expressed desire for a “neighborhood retail” use. Home Centers, Building Materials Dealers, and Other Motor Vehicle Dealers demonstrate a market gap, but are not well suited for a neighborhood use and are therefore shown in gray.

Table 5 – Retail Categories Experiencing a Gap in All Three Market Areas			
Retail Category	Gap for Tertiary Market (\$)*	Approx. Sq Ft that could be supported by gap (estimate for entire market area)*	Approx. Sq Ft of existing stores in metro area
Home Centers	\$46,191,754	144,349	Home Depot (Urb), ~109,000 Lowe’s (WDM), ~129,000 Menards (DM), ~ 160,000
Pharmacies and Drug Stores	\$24,024,251	75,076	Hy-Vee (University, drug/grocery combo) ~24,000 Richard’s (Hickman) ~1,500 Walgreens (University) ~15,000
Other Building Materials Dealers (e.g. Lumberyards)	\$20,088,962	62,778	Nationwide Lumber ~49,000 Millard Lumber ~30,000
Other motor vehicle dealers (e.g. motorcycles, boats)	\$8,487,420	26,523	Struthers Kawasaki ~23,000
Convenience Stores (not including convenience stores with gas stations)	\$8,041,461	25,130	Git ‘n Go (42nd) – 2,900** Oasis (Payne) – 2,600** Kum & Go (86th) – 5,000** Kum & Go (University) – 3,800**
Nursery and Garden Centers	\$7,480,821	23,378	Earl May (Douglas) – 7,300
Beer, Wine and Liquor Stores	\$5,964,387	18,638	Central City Liquors – 4,000
Florists	\$2,165,860	6,768	Boesen Florist – 5,100

Household Appliances Stores	\$1,793,303	5,604	Metro Appliance – 2,100
Misc. Store Retailers	\$1,729,786	5,406	-
Pre-recorded Tapes, CDs, Record Stores	\$1,438,431	4,636	-
Paint and Wallpaper Stores	\$1,299,741	4,062	Sherwin Williams – 14,600
Luggage and Leather Goods Stores	\$795,795	2,487	-
Specialty Food Stores	\$569,602	1,780	Graziano Bros – 6,900
Used Merchandise Stores	\$634,719	1,984	Goodwill – 11,250
News Dealers and Newstands	\$327,831	1,025	-

\*The retail gap and approximate square footage listed in this table are the numbers for the entire tertiary market area, and do not necessarily reflect the amount of square footage that could be captured by development on the project site.

\*\*There are few local examples of convenience stores not attached to gas stations. The examples provided are for convenience stores attached to gas stations.

In addition to the stores listed above with retail gaps in all three market areas, most other retail categories had gaps in both the primary and secondary markets. Of these categories, only a few had both sufficient gaps to support a new store, and fit the category of neighborhood retail. These categories are listed in Table 6, along with the spending gap for the secondary market, the approximate square footage of retail space that could be supported by the the spending gap, and a comparison of approximate square footage of existing stores of that type in the metro area.

Table 6 – Retail Categories Experiencing a Gap in the Primary and Secondary Markets			
Category	Gap for Secondary Market (\$)*	Approx. Sq Ft that could be supported by gap (estimate for entire market area)*	Approx. Sq Ft of Existing Stores in metro Area
Supermarkets, Grocery Stores (Excluding Convenience)	\$25,614,810	80,046	Hy-Vee (University) – 67,492 Dahl’s (Merle Hay) – 72,518 <i>Smaller Groceries</i> Aldi’s (Douglas) – 14,860 Hy-Vee (University/42 <sup>nd</sup> ) – 24,000 Beaverdale Dahl’s – 26,000
Foodservice and Drinking Places**	\$11,695,140	36,547	Mustard’s ~4,700 Baru ~ 2,200 Grounds for Celebration ~ 1,500 Flying Mango ~3,900
<i>Full-Service Restaurants (Sub Category of above)</i>	<i>\$4,659,836</i>	<i>14,561</i>	

\* The retail gap and approximate square footage listed in this table are the numbers for the entire secondary market area, and do not necessarily reflect the amount of square footage that could be captured by development on the project site.

**\*\*The primary and secondary markets have a retail surplus in the foodservice subcategory: "Drinking Places – Alcoholic Beverages"**

Past inquiries into the project site reinforce the potential success of several of the above retail categories. As of 10.31.11, Ruhl & Ruhl reported that inquiries had been made for both a Pharmacy/Drug Store and a Supermarket/Grocery Store.

Figure 8 shows the location of supermarket/grocery stores, including specialty grocery, in the market area. As shown in the figure, there are several major grocery stores within a short distance of the secondary market boundary, including Wal-Mart Super Center and Sam's Club in Windsor Heights, just south of the market area. These groceries draw, in part, from the primary and secondary market areas. Any new facility would need to compete with these existing establishments. While a standard-sized supermarket may be possible, a smaller scale supermarket (of similar scale to the Hy-Vee at University and 42<sup>nd</sup>, or the Beaverville Dahl's) or specialty grocery store is likely the most practical grocery use, given the market conditions and the size of the project site.

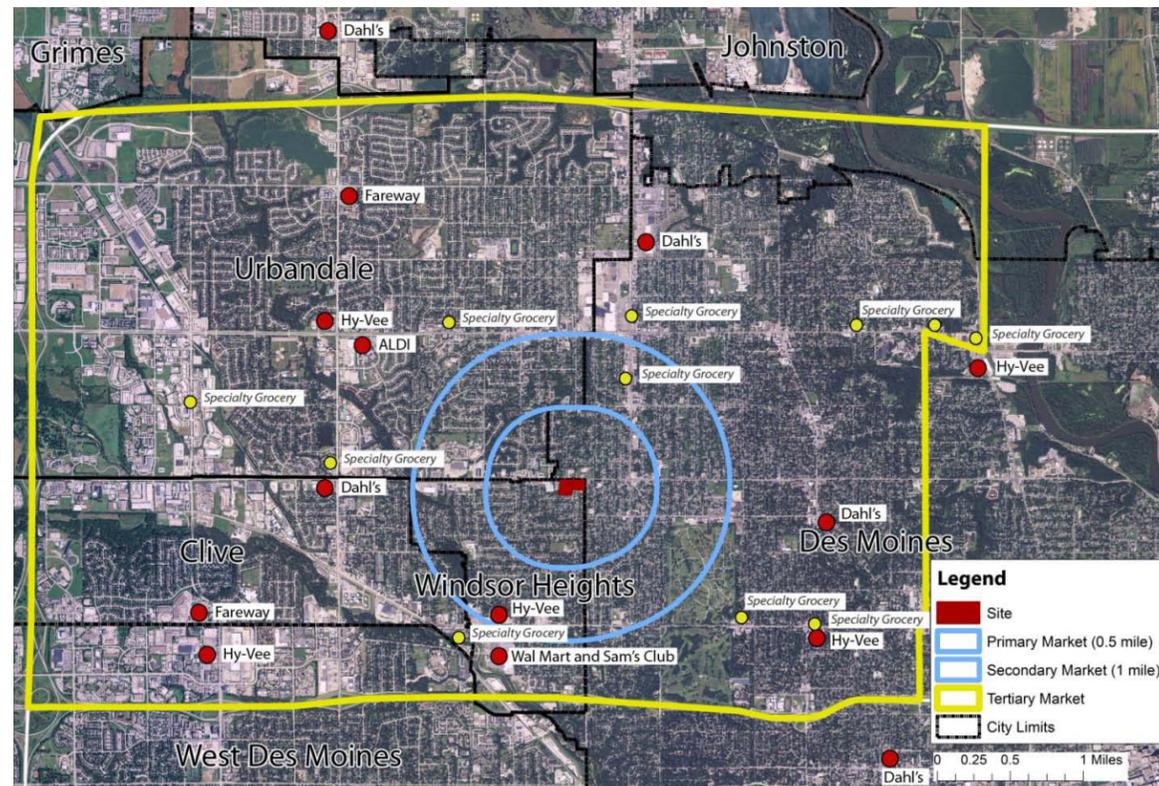


Figure 8 – Supermarket and specialty grocery store locations in the market area

An inquiry has also been made regarding a convenience store/gas station combination on the site. Although the market analysis shows a gap for convenience stores, convenience store/gas station combinations are categorized separately. In the secondary market, the combination store/gas station category has a surplus of \$11,574,101 and a surplus of \$31,897,608 in the tertiary market.

However, the primary market, when taken alone, has a gap of \$3,720,386 for combination gas stations/convenience stores. Similarly, the Nursery and Garden Center gap may be somewhat misleading. In the metro area, many garden centers are included as part of larger home centers (e.g. – Menard's). Therefore, this demand may not be best met by a free-standing garden center, particular in light of the nearby Earl May on Douglas.

As noted above, the recommended uses are therefore as follows: pharmacies and drug stores, supermarkets, full service restaurants and misc. retail, especially: Convenience Stores; Florists; Beer, Wine & Liquor; Appliances. Hypothetically, if these needs were fulfilled on the site, they could take the following approximate square footage (based on square footage in tables 5 and 6): (Note: This hypothetical scenario is included only for the purposes of illustration, and is not meant to imply a recommendation of the exact mix and/or square footage of uses on the site.)

- Pharmacy (1) = 15,000-24,000 sq ft
- Supermarket (1) = 25,000-75,000 sq ft
- Restaurants (2) = 3,000-9,400 sq ft
- Misc. Retail (4; 1 of each recommended category) = 13,600-16,000 sq ft
- TOTAL POTENTIAL RETAIL SPACE = 56,600 – 124,400 sq ft

If developed at a typical FAR for this area (0.3), the site can host approximately 103,000 sq ft of retail. The hypothetical retail mix noted above could equal or exceed this capacity. However, the site could also host a mix of uses, including retail, residential and office. The council has expressed a desire to explore having a mix of uses on this property. The capacities for the latter two use categories are outlined later in this report.

**Commercial/Retail Inventory and Conditions**

The primary market contains more than 40 commercial uses, with approximately 85-90% occupancy. Of the retail categories mentioned above, the following are already represented in the primary market area:

- Used Merchandise (2)
- Drug Stores/Pharmacies (1 – Richard's Pharmacy on Hickman)
- Misc Retailers (2)
- Foodservice and Drinking Places (5)

The average construction date for all commercial properties in the primary market is 1965, with half of properties being built before 1961. Approximately 60% of these commercial properties have had renovations since initial construction, with half of those renovations occurring in 1992 or later. Construction dates for all properties range from 1940 to 2006. According to the Polk County assessor ratings for building conditions, 15% of commercial properties in the primary market are "above normal" condition, 18% are rated "below normal," and the remainder are rated "normal." (Note: For the purposes of this analysis, any properties containing two buildings with the same ownership and use were listed as a single "property.") Thus, the area appears to be "ripe" for redevelopment/revitalization. This is supported by the revitalization that has taken place along University Avenue in Windsor Heights as well as revitalization efforts along 86<sup>th</sup> Street in Clive. Two new commercial developments were constructed in 2011 at Merle Hay Road and Douglas Avenue, a promising sign for the health of the market. The development at

3737 Merle Hay Road offers 9,300 square feet of space and already has multiple tenants just a few months after completion. At the time of the writing of this report, the 3801 development had just opened and welcomed its first tenant (Burger King). Square footage for the building was not yet available from assessor records.

There are a number of large retail attractors in the tertiary market area, including Merle Hay Mall, Valley West Mall, the Sherwood Forest Center, and commercial development along 100<sup>th</sup> St/Urbandale Drive. These areas pose significant competition, which provides the rationale for developing the project area as neighborhood commercial that appeals chiefly to the primary and secondary market areas (1-mile radius). At the same time, these competing commercial areas provide the benefit of increasing drive-through traffic past the project site along Hickman Road.

**OFFICE**

**Recommendations**

Office development is not a recommended primary use for the project site. According to the 2011 Real Estate Market Survey for the Greater Des Moines area, the competitive office market (office space that is competing for tenants) is not expected to add inventory until existing vacant spaces are filled and rental rates improve. The report expects that demand to fill office spaces currently available will not pick up until the general economy and Iowa’s unemployment rate improve. Occupancy in the greater Des Moines area was 78.8% in 2011, down from 79.4% in 2010 and 81.1% in 2009. The only market to add competitive office space from 2010 to 2011 was the western suburbs market. If the property is developed with smaller spaces for rent, some office tenants could be a possibility. However, the market is clear that office can not be the primary development focus.

**Office Inventory and Conditions**

The primary market area contains approximately 60,000 square feet of office space on 10 different properties. Half of these properties were constructed before 1982, with construction dates ranging from 1956 to 1993. A brand new mixed-use building at 6500 University adds approximately 20,000 square feet of commercial space. According to the building official, office tenants are already lined up for the space. Two new commercial developments at Merle Hay Road and Douglas Avenue have recently been occupied, with portions of the new space used for office.

**RESIDENTIAL**

**Recommendations**

A multi-family/condo-style residential development, particularly one which appeals to seniors, is likely to be supported by the market. As outlined below, there is demonstrated demand for multi-family residential development in the tertiary market area and the larger metro area. At the same time, the demographic trends outlined earlier in this document show an aging population that will likely be looking for housing options other than single family homes. There has been very little multi-family housing construction in the primary or secondary market areas over the past few decades and housing in Windsor Heights is mostly single-family detached homes. The project site is in a good location to add diversity to the housing stock, thus allowing aging

Windsor Heights residents to “downsize” without leaving their community, while providing options for new younger residents. At a recent public meeting to identify issues for the community, the need for diversity of housing to allow seniors to “age in place” was identified as a priority.

**Multi-Family Residential Inventory and Conditions**

The primary and secondary markets contain approximately 1,140 multi-family residential units on 30 different properties. The average construction date for these properties was 1969, with half of properties constructed in 1967 or earlier. Only 1 of these properties was constructed within the past 25 years. Thus, there is a likely demand for new, modern residential units for rent.

1 of the 30 multi-family properties in the primary and secondary markets was rated “below normal” according to the assessor rating system, with two properties rated “above normal” and the remainder rated as “normal.” (Note: For the purposes of this analysis, any properties containing two or more buildings with the same ownership and use were listed as a single “property.”)

The primary and secondary market areas have a higher percentage of single family detached homes than the tertiary or metro areas (Table 7). The same is true for Windsor Heights in relation to the neighboring municipalities of Des Moines and West Des Moines. The relatively small proportion of attached or multi-family units in the primary and secondary markets could indicate an unfulfilled demand for that type of housing. The following section describes recent developments in the market areas that reflect this demand.

	<b>1 unit detached</b>	<b>1 or 2 unit attached</b>	<b>3 or more units</b>
Primary Market	74.0%	8.8%	10.8%
Secondary Market	74.1%	10.7%	13.3%
Tertiary Market	67.9%	10.7%	20.9%
Metro	62.5%	9.6%	26.0%
Windsor Heights	77.2%	12.6%	10.1%
Des Moines	65.4%	7.1%	24.9%
West Des Moines	47.4%	13.5%	38.0%

**Residential Development Trends**

Several prominent residential developments have occurred in the market areas in the past several years, most of which are geared toward seniors.

The *Walnut Ridge Senior Community* at 1701 Campus Avenue in Clive is a 250,000 square foot building with approximately 170 residential units for senior living, with the majority of these designated as independent living units. The complex was built in 2007.

The *Cottages at Johnston Commons* is a 3.9 acre townhouse development on NorthGlenn Drive in Johnston that opened its first units for occupancy in October of 2011. The development is marketed for adults 55 years and older.

The *South View Senior Apartments* at 1900 SE 6<sup>th</sup> St, which began construction in 2011, is a 2.3 acre site featuring 40 units in 3 buildings. This is a tax credit project which is the model for the proposed Franklin Field Senior Apartments discussed below.

A new mixed-use building is currently finishing construction on *6500 University Ave* in Windsor Heights and will feature 16,000 square feet of “executive condos” above commercial/office space. Unlike the three developments listed above, this space is not geared exclusively to seniors.

An 8 unit townhouse development was constructed in 2007 just south of the project site, at *2004 63<sup>rd</sup> street*. According to Windsor Heights city staff, the units have been popular and well-received by neighbors.

*Franklin Field Senior Apartments* is a 40-unit multiple-family senior living apartment complex planned for a site near the Franklin Library in Des Moines, on Franklin Avenue between 52<sup>nd</sup> St and 55<sup>th</sup> St. The development received a green light in late November 2011, when the proposed site was approved for re-designation to ‘high density residential’ by the Des Moines City Council.

These developments reflect the popularity and potential success of high quality multi-family or single-family-attached housing in the area. Although several of these developments are marketed exclusively toward seniors, a new housing development on the project site could also reach out to a wider market by building in a way that is senior *friendly* (e.g. - adding accessibility features) but still welcoming to other potential occupants, such as young professionals just entering the housing market.

#### Accessibility

Accessibility is important when locating any residential development, particularly those which are geared to seniors who may not be able to (or choose not to) drive. DART bus route #5 connects the project site to sites in Des Moines including the Franklin Public Library, Mercy-Franklin Medical Center, Dahl’s Grocery, Drake University, and Downtown Des Moines. A new route is planned that will connect Clive to downtown Des Moines. The line will go directly by the project site on Hickman before turning south on 63<sup>rd</sup>. The line will be implemented as part of the first phase of the *DART Forward 2035* plan (adopted September 2011).

#### Changing Demographics

As noted in the demographics sections the primary, secondary and tertiary markets have a higher percentage of early retirement and older adult age groups than the metro area as a whole. Median age in the markets areas has been increasing at a faster rate than the metro area over the past decade. National trends indicate that seniors will continue to represent a growing percentage of the population in the coming decades as the baby boomers move through the life-cycle. National and regional housing trends show that many seniors are interested in simplifying

their living situation by “downsizing” to a smaller unit and leaving behind the maintenance hassles that come with owning or living in a single family home. Providing a variety of housing options within a single community is critical to allowing residents to “age in place,” a term that is taking hold with developers and planners across the nation. The project site is well located to take advantage of this emerging trend, due to its high accessibility and the current lack of housing diversity in the primary and secondary market areas.

#### 4. SUMMARY POINTS

- **Demographics:** Relative to the metro area, the market areas have slower population growth, smaller household size, higher incomes, and an older population. The customer base in this area is promising for new development, with a financially strong and stable household population of long term residents, plus evidence of new younger families moving into the area.
- **Traffic:** Traffic counts at the intersection of Hickman and 63<sup>rd</sup> are high and are expected to rise in the coming years.
- **Retail:** The following types of retail establishments have the greatest potential for success on this project site: Pharmacies and Drug Stores; Supermarkets, Grocery Stores; Full Service Restaurants; Misc. Retail, especially: Convenience Stores; Florists; Beer, Wine & Liquor; Appliances
- **Retail demand** is large enough to meet the capacity of the site at standard development density (103,000 square feet on 7.9 acres at FAR 0.3). However, the site could also work well with a mix of uses that include retail.
- **Office:** Office development is not a recommended primary use for the project site.
- **Residential:** A multi-family/condo-style residential development, particularly one which appeals to seniors, is likely to be supported by the market.

## PRELIMINARY CONCEPTS

The planning team developed a variety of plan concepts that were shared at two public open houses. The following pages document the preliminary concepts along with the input received regarding the concepts.



Preliminary Concept 1

Plan presented at January 10, 2012, public open house.



Preliminary Concept 2A

Plan presented at January 10, 2012, public open house.



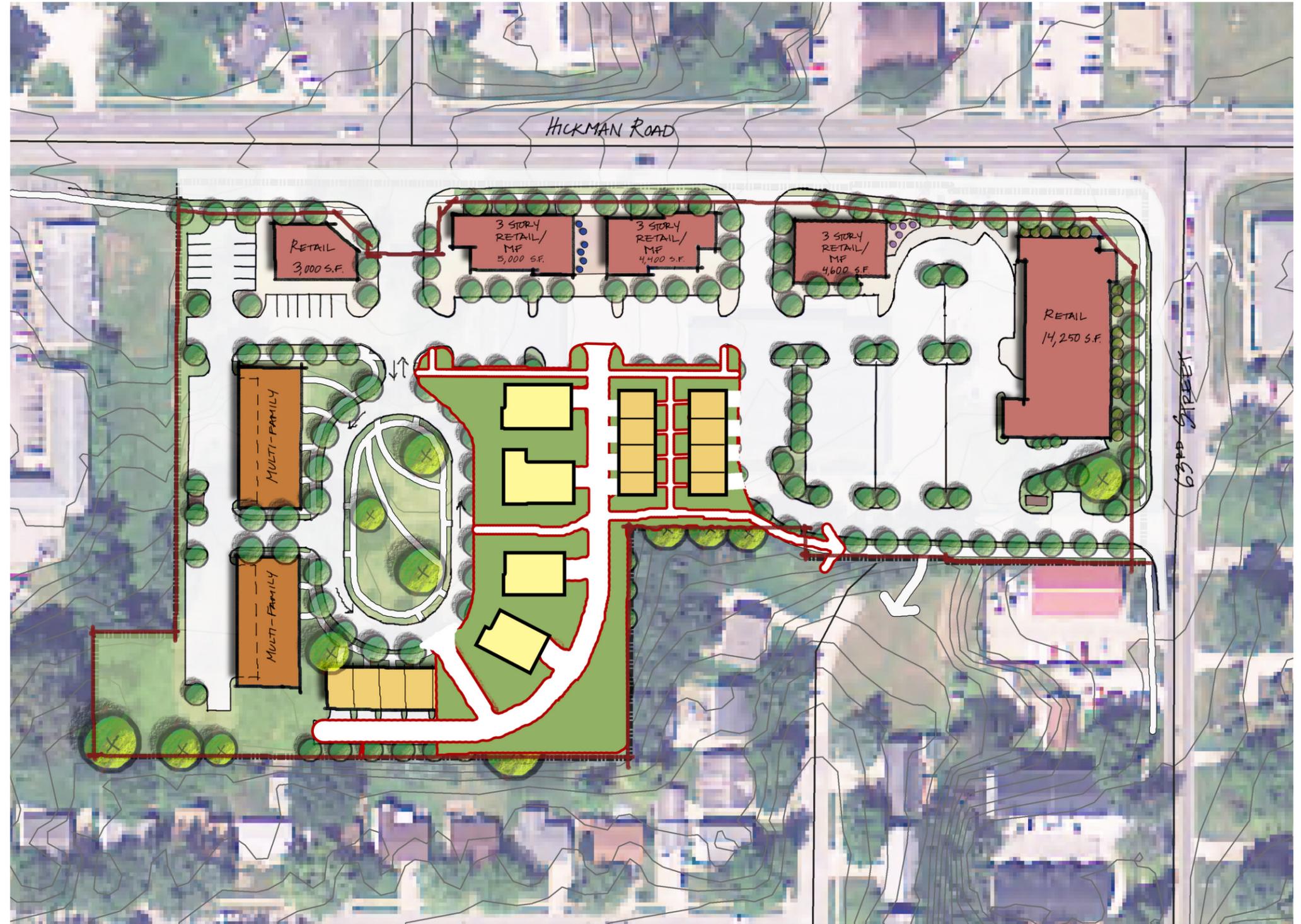
Preliminary Concept 2B

Plan presented at January 10, 2012, public open house.

## Public Input from January 10, 2012, Public Open House & Meeting

### COMMENTS:

- WH is a bedroom community. Should flip around land uses: More MF/Townhomes, less commercial development (10-15%).
- Senior Citizen housing: Must be one-story – no steps.
- Why not build ranch-style townhomes?
- Building on University sitting empty...no retail activity going on.
- This site is our opportunity to keep people in WH.
- 50-60% agree that there should be more residential/less commercial.
- Fair Meadows in WDM – good example of senior housing.
- More residential means less taxes generated.
- This part of town needs park space. Need to create some kind of a park in the area. Two concepts do not provide enough space.
- Option 1. Need to look at accessibility from neighborhood to park space. Space looks like private space for the development.
- More housing. Elevation drop might allow for two-level access without stairs.
- Smaller groceries provide for a specialty use like Trader Joes.
- Need special experience place like a coffee shop.
- New emphasis on “green”. Should go after new type use consistent with this use.
- Middle ground. 25 TH X \$175K. Likes option 1 with perhaps twice the Townhomes. TH more appealing than MF (although right now market favors apartments)
- Likes Sr housing, but not sure entire area should be housing. Should include high quality limited commercial development.
- Driving force: built out city. How much was spent on site and what kind of values do we need to get off property?
- Like to see retail. New homeowner and would want to see values increase. Want to see increasing tax base but should not accept low quality development. Also should consider impact of development on existing businesses. Smart commercial.
- Family-friendly restaurant.
- Retail buildings – how will people know what uses are.
- Retail has to have adequate parking. 4 spaces per 1000 sf is inadequate.
- Doesn't think 2/3 story buildings would look attractive at this location.
- Question about site plan process and controls to insure building doesn't change to lower quality use.
- Like idea of including green space. Makes area more attractive.



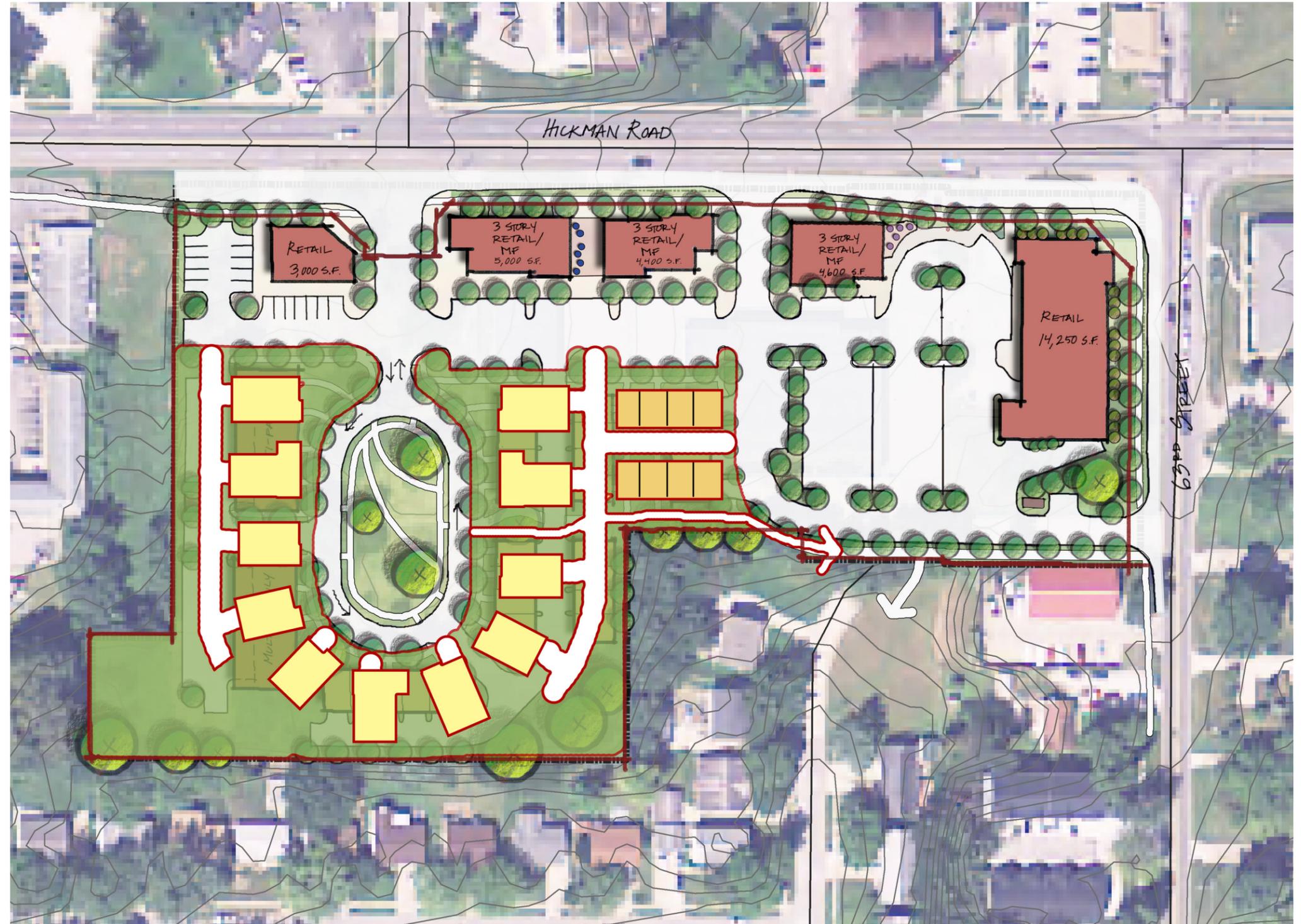
Preliminary Concept 1B Sketch

Plan presented at February 2, 2012, public open house.



Preliminary Concept 1C Sketch

Plan presented at February 2, 2012, public open house.



Preliminary Concept 1D Sketch

Plan presented at February 2, 2012, public open house.