

The Economics of Land Use



Final Report

Gardner Main Street Corridor Plan Market Analysis

Prepared for:

City of Gardner, KS

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Adopted April 16, 2018 | Ordinance No. 2574

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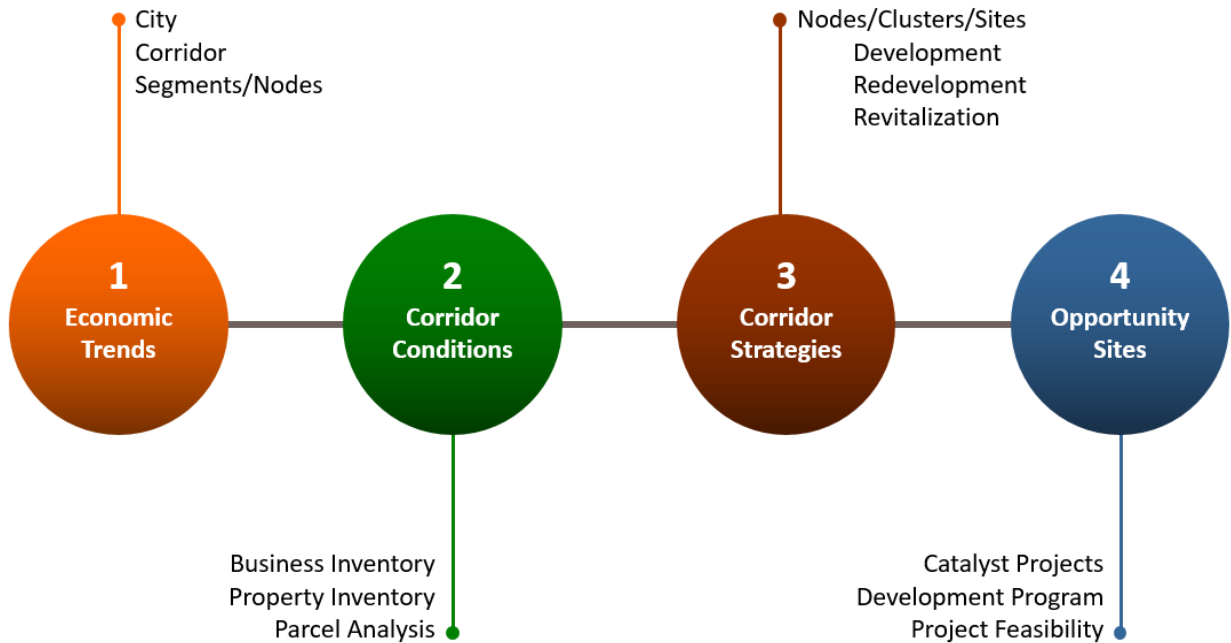
1. INTRODUCTION AND SUMMARY OF FINDINGS

Project Background

Building on recent citywide and regional planning efforts, this project focuses on defining and illustrating the possibility of Gardner’s Main Street Corridor to vibrantly serve a diversity of residents and visitors and address all modes of transportation. As one piece of this project, Economic & Planning Systems (EPS) was retained to complete a market and financial analysis to help inform the possibilities of the Main Street Corridor and to identify realistic and market-based implementation solutions.

The analysis takes a top-down approach, first looking at citywide economic trends, then narrowing a focus on Corridor conditions and strategies, and finally identifying specific opportunity sites on which to build and catalyze aspects of the plan. This approach is summarized in **Figure 1**.

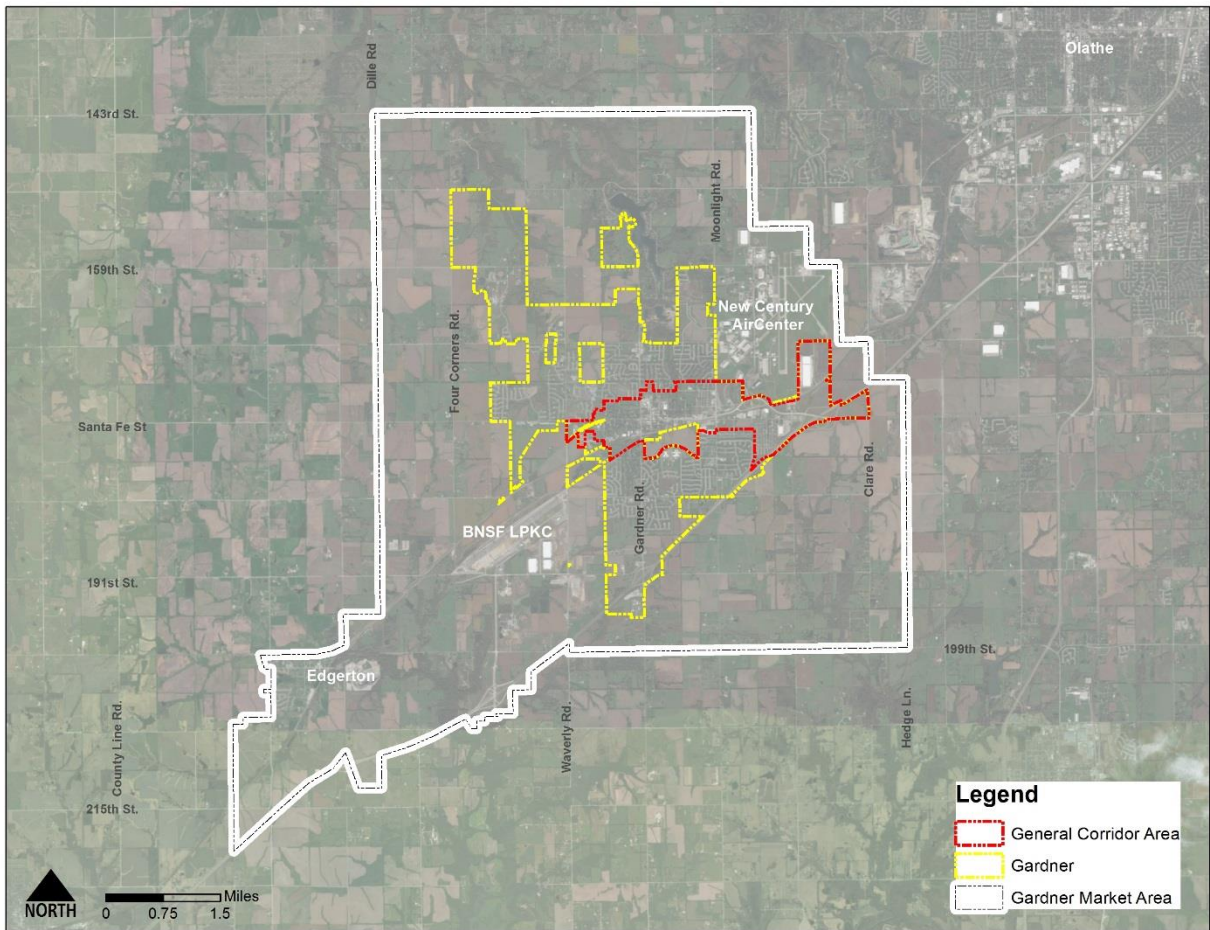
Figure 1
Market Analysis Overview



Project Area Definitions

The economic analysis focused on two primary geographies in addition to the City, as shown in **Figure 2**. The first is the General Corridor Study Area which defines the boundaries of the Main Street Corridor Plan. The second geography is the Gardner Market Area, which includes Gardner’s long-term growth area as well as the City of Edgerton. This area represents the retail trade area of Gardner used in both the business inventory and the retail gap analysis presented later in this report.

Figure 2
Project Area Definitions



Summary of Findings

A market analysis was completed to gain a better understanding of market forces impacting growth in Gardner. This section summarizes key findings from this analysis, including an overview of demographics and residential trends as well as employment and commercial development trends. In addition to characterizing the Gardner market, this information helped inform population forecasts, residential demand estimates, and a retail gap study.

The analysis is based on a variety of data sources including U.S. Census demographic data, U.S. Census Longitudinal Employer Household Dynamics (LEHD), CoStar real estate database, and permit information from the City and U.S. Census C40.

Demographic Trends

- From 2000 to 2010, Gardner saw significant population growth. Over this time period, the City grew at an average annual rate of 7.4 percent, compared to a 1.9 percent growth rate at the county level, and, in this decade, the City more than doubled in size from 9,396 people to 20,868 people. Young families looking for more affordable home ownership options compared to the region drove much of this growth.
- Growth in Gardner slowed considerably after the Great Recession with an average annual rate of growth in population dropping to 1.7 percent from 2010 to 2015; however, the City continued to grow at faster rate of growth than Johnson County, which grew at an average annual rate 1.2 percent. The City still plays a similar role in the region by providing more affordable housing options for young families. In fact, children and adults younger than 44 years old account for 77 percent of the population in Gardner; this compares to Johnson County where 61 percent of the population is less than 44 years of age.
- One significant difference since the Great Recession is that a higher percentage of households and families are renting rather than purchasing their homes. From 2010 to 2015, the number of owner-occupied housing units dropped from a high of 72 percent to 64 percent and, as a corollary, the number of renter-occupied units increased from 21 percent to 30 percent. The rate of growth in renter-occupied housing has been faster in the City than Johnson County. For example, since 2000, the number of renter-occupied housing units in Gardner increased at an average annual rate of 6.0 percent, compared to Johnson County where renter-occupied units increased by an average annual rate of 2.2 percent.

Residential Development Trends

- Residential development in Gardner has largely mirrored its demographics trends, with the City issuing 77 percent of the building permits over the last 15 years before the Great Recession, corresponding to the rapid increase in population during that time. Single-family permits made up 80 percent of these issuances.
- Since 2008, the number of building permits issued by the City has decreased dramatically. From 2008 to 2016, the City averaged 107 units per year, compared to approximately 398 units per year in the previous eight years. For the nine years from 2008 to 2016, permits for 2,016 housing units were issued compared to 3,181 housing units for the previous eight years. During this time period, the percentage of single-family permits issued has dropped to 68 percent. An increase in the percentage of multi-family permits and, as a corollary, an increase in the percent of renters is a trend that planners and housing experts have identified throughout the nation and seems to hold true in Gardner as well.
- There has been no residential development in the Main Street Corridor over this time period. Instead, residential development has occurred in areas to the south and north of the Corridor. Single-family permits are spread more uniformly in locations and subdivisions throughout the City, while duplex—and, in particular, multi-family permits—are clustered in a handful of locations.

Employment Trends

- Employment in Gardner and the Gardner Market Area has grown at a faster rate than Johnson County. From 2002 to 2014, Gardner grew by 1,358 jobs or an average of 133 jobs per year. This represents an average annual rate increase of 3.8 percent, compared to the county which grew at an average annual rate of 0.9 percent.
- Much of this growth has occurred in secondary or service industries—which generally locate near and support residential centers—and is strongly correlated to Gardner’s growth in population in the 2000s. The fastest growing sectors include educational services, retail trade, hotels/restaurants, and health care. Combined, these sectors accounted for 1,000 new jobs in the City, or approximately 75 percent of its employment growth.
- One sector outside of these residential service industries that has seen rapid growth is transport and warehousing, which grew from 23 jobs in 2005 to 286 jobs in 2014. This represents an average annual rate of growth of 23.4 percent—the fastest rate of any economic sectors. In recent years, this sector has continued its strong growth with New Century AirCenter and Logistics Park Kansas City (LPKC) expanding and adding jobs.
- Gardner has a high percentage of inflow and outflow commuting. Based on U.S. Census data, in 2014 there were a total of 5,143 jobs in Gardner with 1,105 filled by local residents or 21 percent of the total. Of the remaining 4,038 commuting in, most come from other Johnson County cities including Olathe (802), Overland Park (465), Shawnee (163) and Lenexa (144). The 1,105 Gardner residents working locally represent 11 percent of the 9,869 total Gardner workforce. The remaining 8,764 employed (89 percent) residents largely commute to Johnson County and Kansas City.

Commercial Development Trends

- Like residential development, commercial development has largely followed the employment trends with transportation and warehousing as a subset of industrial/flex development being the strongest commercial segment type.
- **Office Development:** There has been no new office development in the City since 2007, when developers added 14,000 square feet to the market. While office inventory has stayed relatively constant over the past 10 years, vacancy rates have dropped from 18 percent in 2009, to 5 percent in 2016. Decreasing vacancy rates generally correlate to increasing rents. However, rents in Gardner have stayed flat over the last 10 years at between \$14 and \$15 per square feet. The lack of rent appreciation may result from an aging office inventory or signal a relatively weak demand for office in Gardner, requiring lower rents to be attractive with a more regional market area. While overall office demand has not proven strong, continued population increase will create further demand for related office-based service industries, driving a need for additional office spaces in the City.
- **Retail Development:** There is approximately 535,000 square feet of retail space in the retail inventory. Over the last 10 years, the market has added net 32,000 square feet to its retail inventory. Over this time period, retail vacancy has dropped and is currently at 3 percent. Like office, retail rents have stayed relatively flat even as vacancy has decreased. Again, this may result from an aging retail stock or from a significant percentage of retail space at the lower end of the market. However, as Gardner's population continues to increase, demand for retail space will also increase as retail follows households.
- **Industrial/Flex Development:** The industrial/flex market has been the most active commercial development segment in Gardner. Over the last 10 years, the market has added net 1.6 million square feet of space to its inventory. Much of this increase occurred in 2016, where the market delivered 2 million square feet of space. As inventory has increased, so has vacancy rate, which currently stands at 9 percent. Industrial flex rents dropped significantly after the Great Recession from approximately \$8.00 per square foot to \$3.90 per square foot. Rents, however, have largely recovered.
- **Logistics Park Kansas City (LPKC) and New Century AirCenter:** It is expected that industrial/flex space will continue to develop rapidly in the Gardner market. Much of this development will occur in LPKC and New Century AirCenter, but there will also likely be additionally industrial/flex space developed within Gardner itself. The LPKC is growing at a rapid rate. Over the last three and a half years alone, it has added 7 million square feet of logistics/flex space. According to interviewees, most of this space is already occupied, and developers are building additional space, even on spec before pre-leasing the square footage. New Century AirCenter is expected to target more manufacturing jobs, but it has also seen growth in logistics and warehousing. Both of these employment centers are just outside of Gardner city limits; however, growth in these areas is expected to lead to spin-off development within the City. Growth in these areas will also potentially impact retail and housing demand within the City.

Target Residential Demand

- Over the past 10 years, there has been no residential development in the Main Street Corridor. Instead, development has occurred in greenfield subdivisions on the periphery of the Corridor and the City.
- Outside of the Corridor, multi-family housing activity has increased. Over the last seven years, multi-family units represented 39 percent of total permits issued compared to the previous decade when multi-family permits only represented 19 percent of the total.
- This increase in multi-family housing corresponds to an increase in the percentage of renter-occupied housing units in the City. Demand for renter-occupied housing has overwhelmingly been driven by households with an income range between \$35,000 and \$50,000. This housing demand could continue into the foreseeable future as this income range corresponds with estimates of the income earning potential of workers at LPKC and the New Century AirCenter. Moreover, households with this income range are largely priced-out of the homeownership market in Gardner.
- Development within the Corridor will require more diverse and denser infill housing types like patio homes, rowhouses, apartments, and mixed-use developments. This type of housing matches the context of a more urban Main Street Corridor. Some communities, to expedite the introduction of these household types, provide public investment in the form of either infrastructure improvements (e.g. streetscape improvements and/or park amenities) and/or direct gap financing for residential projects (e.g. financing for affordable housing). In addition, public efforts may be helpful in assembling sites large enough to support this density.

Opportunity Sites

- The primary policy takeaway of this analysis is that gap financing or subsidy will be needed for substantial residential development to occur in the Corridor. There are number of potential public financing sources that could be used to close the funding gap in this project, which are summarized in the **Development Strategies** section of the final chapter. In this section, two promising sources are summarized:

Low Income Housing Tax Credits (LIHTC): LIHTC financing is one promising potential source of gap financing for multi-family housing within the Corridor. Importantly, the income ranges of households showing the highest demand for renter-occupied housing fall between 50 percent and 80 percent of the U.S. Housing and Urban Development (HUD) defined area median income, and thus, these households would qualify for the program.

Tax Increment Financing (TIF): TIF is another promising potential source of gap financing for projects along the Corridor. TIF financing requires the establishment of an urban renewal agency (URA) to address blighted economic conditions in a designated district. Once established, the URA uses future tax increment of projects within the district as gap financing or to subsidize other improvements within the district. In addition, URAs often have eminent domain powers, and can help assemble land for larger projects.

Business Recruitment

Downtown

Gardner's Downtown has a solid foundation of existing assets to build on including pharmacies, banks, unique shops, City Hall, the County Library and other civic uses. Future opportunities for Downtown are based on complementing these existing institutions and anchors with an expanded and more vibrant mix of retail, restaurant, arts, and entertainment uses. The retail gap analysis shows that Downtown Gardner can support approximately 9,100 square feet of local shopper's goods (e.g. general merchandise, apparel, furniture, appliance, and specialty goods stores), 14,400 square feet of future convenience goods (e.g. convenience, liquor, drug, and other specialty food stores), and 15,200 square feet of eating and drinking establishments over the next 20 years.

The success of retail in Downtown will be based on attracting a critical mass of businesses that create a "cumulative attraction". That is the point at which there are enough businesses that patrons will think about coming Downtown to comparison shop among multiple stores or think about coming to dine out with several restaurant options to choose from.

The recommended Downtown business recruitment and development strategies are as follow:

- Provide business assistance to local entrepreneurs interested in locating Downtown.
- Attract new restaurant businesses to the Downtown area with modern innovative business models including farm to table/local food, microbreweries, and ethnic cuisines.
- A broader range of choices and better-quality offerings needed to support an arts and cultural cluster and to expand tourism and business attraction opportunities.
- Provide economic development assistance to property owners and developers willing to invest in building renovations or the construction of new mixed-use buildings in the Downtown core.
- Invest in streetscape improvements in the defined Downtown commercial core to support the desired pedestrian-oriented commercial district. This can include new sidewalks, bulb-outs at crosswalks, pedestrian scale lighting, benches, street trees and planters, and space for sidewalk cafes.

Outside of Downtown

Gardner will also continue to have opportunities for new retailers in the Corridor outside of Downtown as it grows and reaches critical population levels that are sought by national retailers seeking new store locations. The retail gap analysis estimates that Gardner as a whole will be able to support approximately 130,000 square feet of future convenience goods, 186,000 square feet of shoppers' goods, 61,000 square feet of eating and drinking retail space, and 55,000 square feet of building material and garden goods.

It will also be important to encourage and support investments in existing commercial space. A number of the existing shopping centers are older and may be challenged by competition from newer centers and if and when the current anchor tenants leave.

The recommended business recruitment and development strategies are as follow:

- Work with the Chamber of Commerce to develop retail recruitment profile brochures targeted at identified retailer targets including data on community population, households, and income demographics within specific trade areas.
- Work with the Chamber of Commerce to develop and maintain a database of available sites and buildings for lease.
- Develop a funding and financing assistance toolkit for retail business startups and expansions.

Development Incentives

The City can also help promote development by facilitating access to capital through an array of local, state, and federal financing sources. Examples of local, state, and federal financing sources are listed below. Local sources tend to involve setting up districts that raise revenues to finance the development of public infrastructure or specific uses through, for example, the allocation of dedicated sales or property tax. Many financing sources focus on providing benefits to low and moderate-income communities, removal of blight conditions that present health and safety issues to the community, and the promotion of small businesses.

The City has identified many of these incentives in *Economic Development Incentive Policy* report (February 2016). As a next step, the City should consider matching financing tools to specific opportunity sites and project concepts presented within this plan. For example, a TIF District could be matched to the East Gateway Mixed-Use area. The area would meet blight conditions required by statute to establish a TIF, and the tax increment revenues could be allocated to help finance public improvements for the district. Additional public or gap financing could be attached to specific projects. For example, LIHTC funding could help finance infill development projects within this area, while improving the quality of some of the affordable housing in the City.

- **Local**
 - Tax Increment Financing (TIF)
 - Sales Tax Revenues (STAR) Bonds
 - Community Improvement District (CID)
 - Transportation Development Districts (TDD)
 - Business Improvement District (BID)
 - Special Benefit District
 - Neighborhood Revitalization Area (NRA)
 - Public Infrastructure Financing Program (PIFP)
- **State**
 - Commercial Rehabilitation
 - Kansas Downtown Redevelopment Act
 - Heritage Trust Fund
- **Federal**
 - Community Development Block Grants (CDBG)
 - SBA 504 Mortgage Loan Program
 - New Markets Tax Credits (NMTC)
 - Low-Income Housing Tax Credits (LIHTC)

2. ECONOMIC AND DEMOGRAPHIC TRENDS

Demographic Trends

This section examines demographic trends in Gardner and the surrounding region. The information helps characterize Gardner in comparison to the region and provides background information for other aspect of the market analysis, including population forecasting.

Population and Households

From 2000 to 2015, Gardner’s population grew by an average of 765 people per year yielding an average annual growth rate of 5.5 percent. This translated to household growth of 244 units per year or an annual growth rate of 5.1 percent as shown in **Table 1**. Much of this growth took place in the early to mid-2000s when Gardner’s population, for example, jumped from approximately 9,400 to 19,200, over a 100 percent increase. Growth slowed following the Great Recession with a growth rate of 1.7 percent 2010 to 2015 compared to 7.4 percent for the preceding 10 years.

Table 1
Population and Household Trends

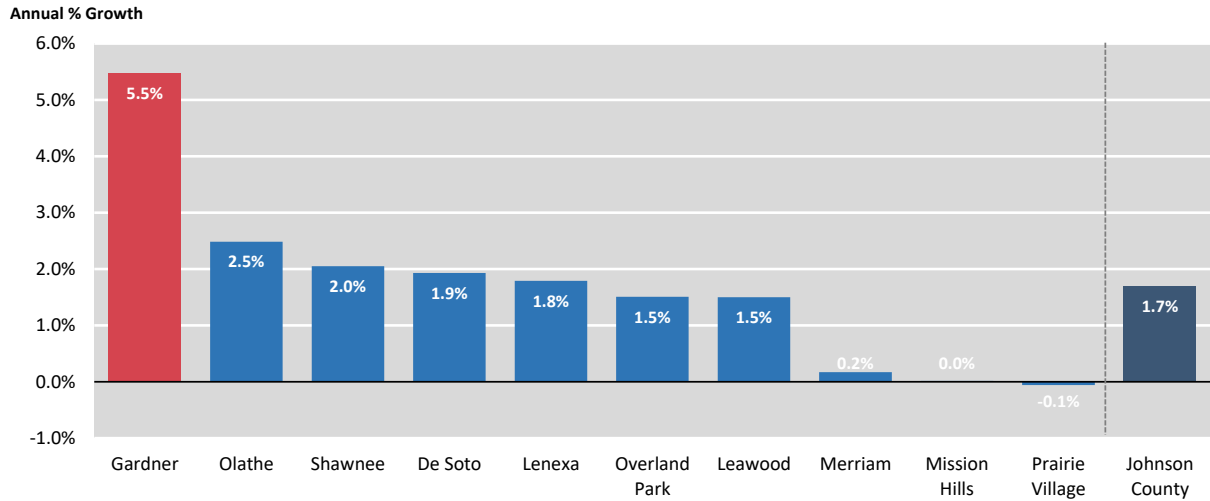
Description	2000	2010	2015	2000-2015		
				Total	Avg. Annual #	Avg. Annual %
City of Gardner						
Population	9,396	19,191	20,868	11,472	765	5.5%
Households	3,307	6,644	6,966	3,659	244	5.1%
Johnson County						
Population	451,086	545,789	580,159	129,073	8,605	1.7%
Households	174,570	212,882	219,735	45,165	3,011	1.5%

Source: US Census; Economic & Planning Systems

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Over this time period starting in 2000 and even in the last first half of this current decade, the City's growth has outpaced that of Johnson County and its other cities as shown in **Figure 3**.

Figure 3
Johnson County Population Growth, 2000-2015



Source: U.S. Census; Economic & Planning Systems

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Household Income

In 2015, the City had a median household income of \$67,422, less than Johnson County at \$76,113 as shown in **Table 2**. In fact, the median household income of Gardner is at the lower end of the range of household incomes in other cities in Johnson County (**Table 3**). While Gardner’s median income is generally less than that of surrounding communities, income in the City has grown at a faster rate than Johnson County—an annual increase of 1.9 percent compared to an annual increase of 1.4 percent (**Table 2**). (In fact, Gardner has grown at the third fastest rate of the comparison communities in this analysis (**Figure 4**).)

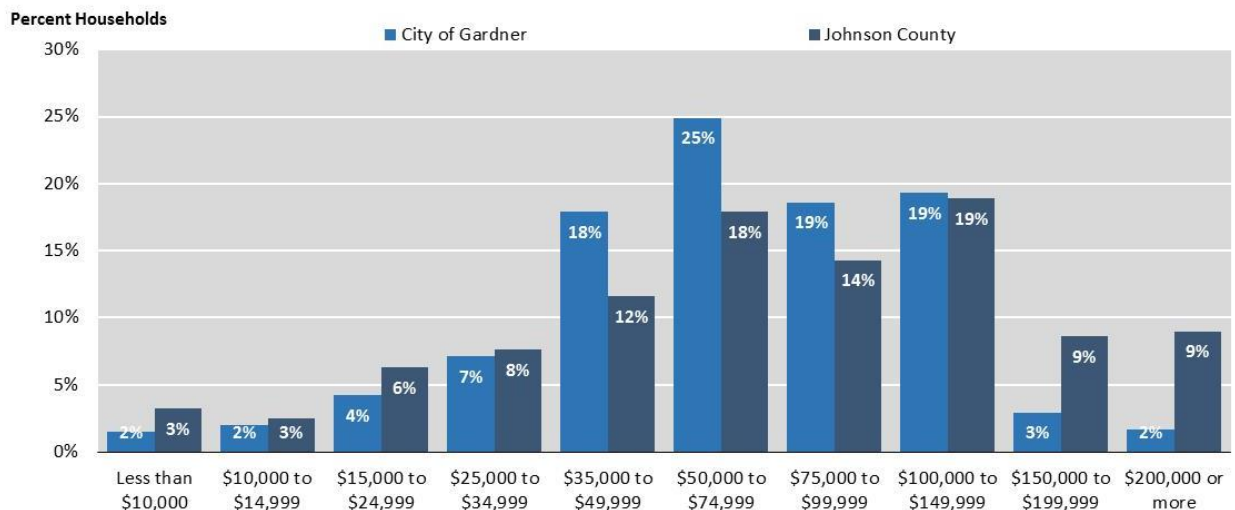
Table 2
Household Income Trends

Description	2000	2010	2015	2000-2015		
				Total	Avg. Annual #	Avg. Annual %
City of Gardner						
Median Income	\$50,807	\$63,656	\$67,422	\$16,615	\$1,108	1.9%
Average Income	\$57,103	\$69,325	\$74,282	\$17,179	\$1,145	1.8%
Per Capita Income	\$20,434	\$24,546	\$25,742	\$5,308	\$354	1.6%
Johnson County						
Median Income	\$61,455	\$73,733	\$76,113	\$14,658	\$977	1.4%
Average Income	\$75,988	\$95,218	\$102,246	\$26,258	\$1,751	2.0%
Per Capita Income	\$30,919	\$37,882	\$40,331	\$9,412	\$627	1.8%

Source: US Census; Economic & Planning Systems

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Figure 4
Income Distribution



Source: US Census; Economic & Planning Systems

Figure 5
Johnson County Income and Annual Percent Growth, 2000-2015

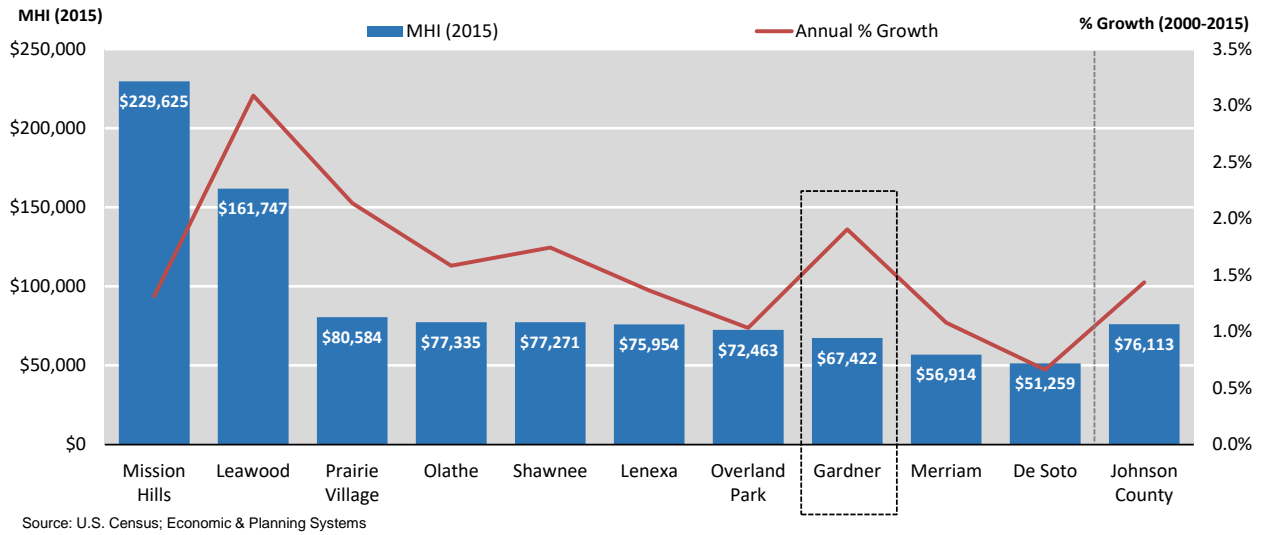


Table 3
Regional Median Household Income Comparison

Description	2000	2010	2015	2000-2015		
				Total	Avg. Annual #	Avg. Annual %
Mission Hills	\$188,821	\$222,222	\$229,625	\$40,804	\$2,720	1.3%
Leawood	\$102,496	\$150,756	\$161,747	\$59,251	\$3,950	3.1%
Prairie Village	\$58,685	\$79,500	\$80,584	\$21,899	\$1,460	2.1%
Olathe	\$61,111	\$75,228	\$77,335	\$16,224	\$1,082	1.6%
Shawnee	\$59,626	\$72,122	\$77,271	\$17,645	\$1,176	1.7%
Lenexa	\$61,990	\$76,343	\$75,954	\$13,964	\$931	1.4%
Overland Park	\$62,116	\$71,513	\$72,463	\$10,347	\$690	1.0%
Gardner	\$50,807	\$63,656	\$67,422	\$16,615	\$1,108	1.9%
Merriam	\$48,455	\$49,957	\$56,914	\$8,459	\$564	1.1%
De Soto	\$46,426	\$61,915	\$51,259	\$4,833	\$322	0.7%
Johnson County	\$61,455	\$73,733	\$76,113	\$14,658	\$977	1.4%

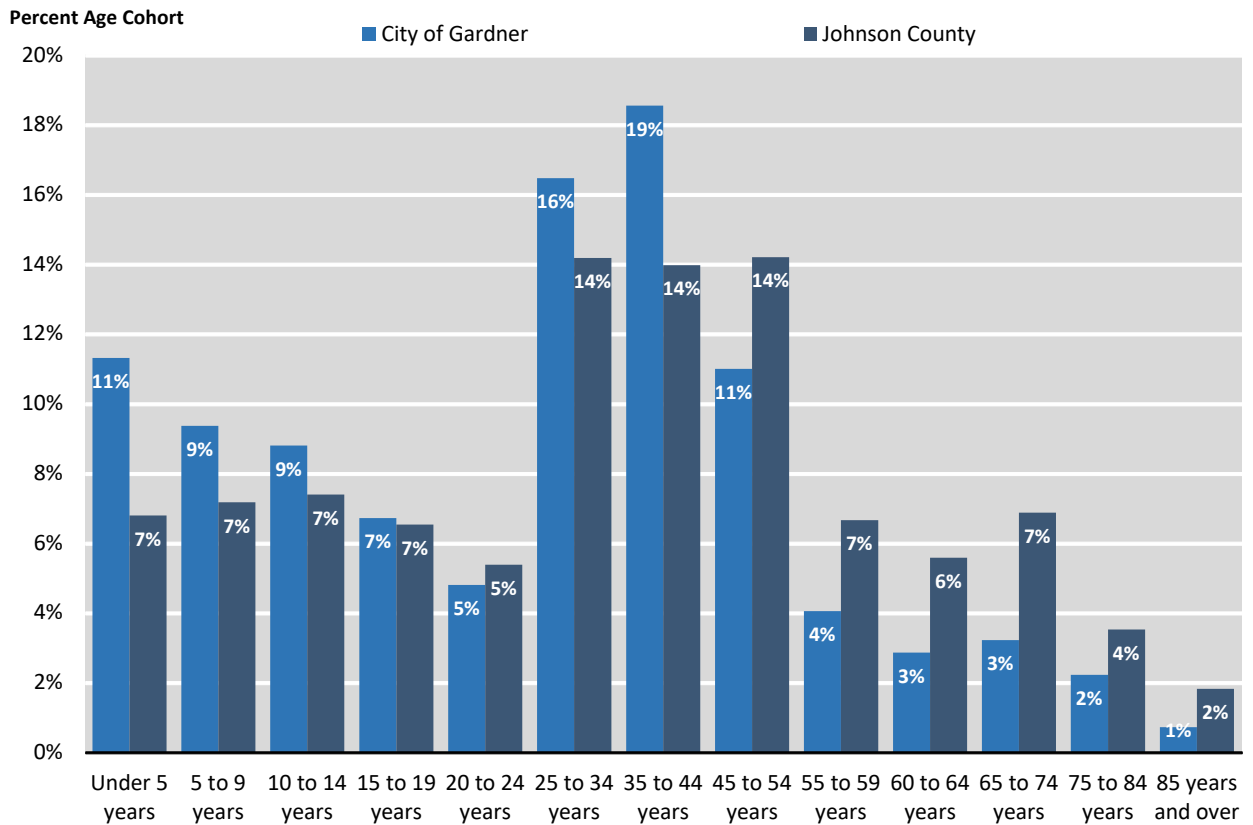
Source: U.S. Census; Economic & Planning Systems

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Age Distribution

Gardner has a higher percentage of young families than Johnson County as a whole. In fact, children and young adults account for 76 percent of the population with children (0 to 14 years old) accounting for 29 percent of the population; teenagers and college age youth (15 to 24 years old) accounting for 12 percent of the population; and young-professional aged individuals (25 to 44 years old), accounting for 35 percent of the population (**Figure 4**). This compares to Johnson County where only 61 percent of the population is less than 44 years old. Combined with the income information above and the housing information presented later in the section, the age distribution data suggest that Gardner provide an affordable option for young families.

Figure 6
Age Distribution Trends

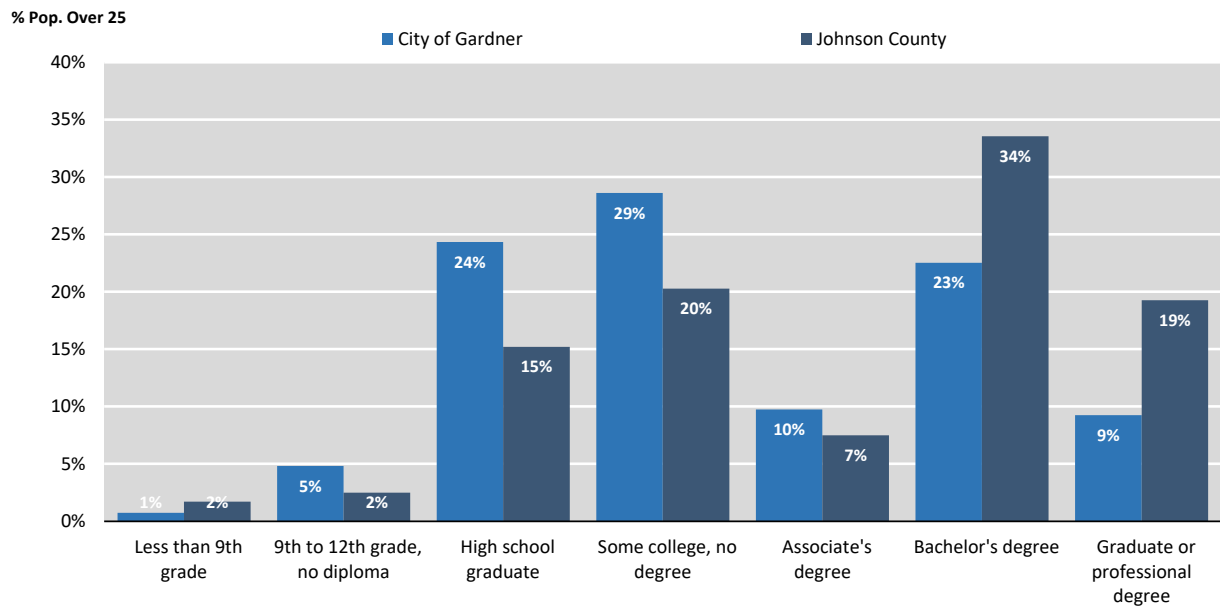


Source: US Census; Economic & Planning Systems

Educational Attainment

The distribution of educational attainment is shown in **Figure 7**. Notably, 31 percent of Gardner’s population aged 25 years or older has at least a bachelor’s degree (23 percent with a bachelor’s and 9 percent with a graduate or professional degree). This is a smaller percent than the County where 53 percent of the population over 25 has a bachelor’s degree or higher. This lower percentage tracks with the lower median household income in Gardner and the rest of the region, and reinforces that Gardner is a more affordable option and provides what is sometimes characterized as workforce or attainable housing for the Johnson County region.

Figure 7
Educational Attainment, 2015



Source: U.S. Census; Economic & Planning Systems

Household Tenure

The majority of residents in Gardner are homeowners, with 69 percent of occupied housing units in 2015 being owner-occupied and 31 percent renter-occupied as shown in **Table 4** and **Figure 8**. However, the percent of owners is down from a high of 72 percent 2010, and renter-occupied households in Gardner have grown at an average annual rate of 6 percent from 2000 to 2015, higher than the growth rate of owners in the City as well as higher than the corresponding rental growth rate in Johnson County. This follows a national trend coming out of the Great Recession of more renters, and much of the growth in renter-occupied households in the City has occurred since 2010.

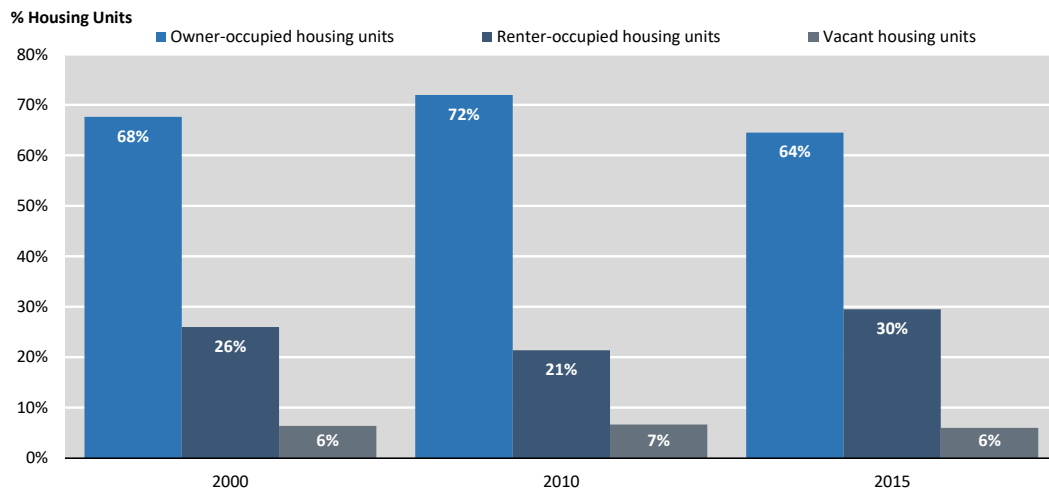
Table 4
Household Tenure Trends

Description	2000	2010	2015	2000-2015		
				Total	Avg. Annual #	Avg. Annual %
City of Gardner						
Owner-Occupied	2,389	4,749	4,779	2,390	159	4.7%
Renter-Occupied	918	1,411	2,187	1,269	85	6.0%
Vacant	<u>226</u>	<u>439</u>	<u>445</u>	<u>219</u>	<u>15</u>	<u>4.6%</u>
Total	3,533	6,599	7,411	3,878	259	5.1%
Johnson County						
Owner-Occupied	126,190	150,722	152,762	26,572	1,771	1.3%
Renter-Occupied	48,380	62,160	66,973	18,593	1,240	2.2%
Vacant	<u>7,042</u>	<u>13,689</u>	<u>11,294</u>	<u>4,252</u>	<u>283</u>	<u>3.2%</u>
Total	181,612	226,571	231,029	49,417	3,294	1.6%

Source: US Census; Economic & Planning Systems

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Figure 8
Change in Household Tenure

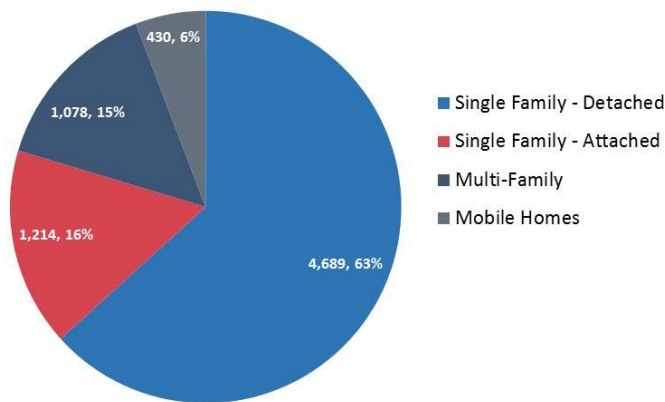


Source: US Census; Economic & Planning Systems

Housing Units

The majority of the housing units in Gardner are single-family detached homes, representing 63 percent of the housing stock. In comparison, single-family attached and multi-family homes make up 16 percent and 15 percent of the housing stock, respectively. Household structure trends are shown in **Figure 9**. The remaining 6 percent of houses are mobile homes. (In reviewing these data, city officials noted that the number of mobiles seemed low. This discrepancy may result from technical definitions of mobile homes within the Census or from margins of error.)

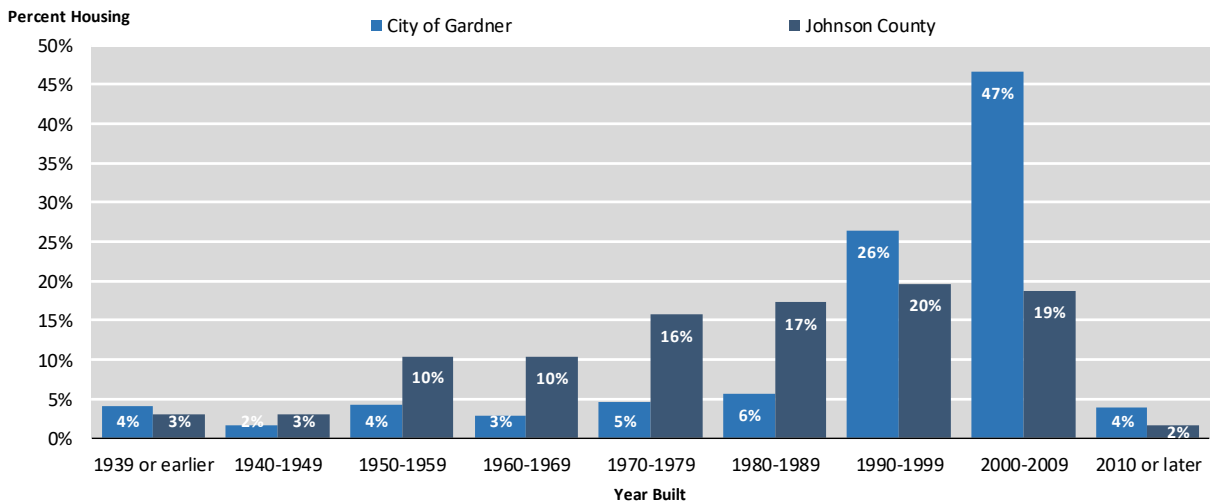
Figure 9
Housing Units by Type



Source: US Census; Economic & Planning Systems

Over half of the City’s housing stock was built between 2000 and 2015, corresponding to the large population increase in this decade. In comparison, only 21 percent of County households were built in 2000 or later as shown in **Figure 10**.

Figure 10
Household Structure by Year Built



Source: US Census; Economic & Planning Systems

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Employment Trends

This section summarizes employment trends in Gardner and the surrounding region. It is important to note that due to the lag collecting, cleaning, and reporting employment data, this analysis does not take into account the significant growth that has occurred in the greater Gardner Market Area in manufacturing and logistics, specifically growth that has occurred in New Century AirCenter and the Logistics Park Kansas City (LPKC) (**Figure 13**).

Regional Trends

From 2002 to 2014, Gardner grew by 1,358 jobs or 113 jobs per year as shown in **Table 5**. This represents an average annual rate of increase of 3.8 percent, a faster rate than Johnson County which grew at an average annual rate of 0.9 percent. The Gardner Market Area, which is made up of the Gardner planning area and the City of Edgerton and includes New Century AirCenter and LPKC in Edgerton, grew by 2,219 jobs or 185 jobs per year. An employment index with a base year of 2002 further emphasizes that the City grew at a faster rate than both Gardner Market Area and Johnson County as a region (**Figure 11**).

Table 5
Regional Employment

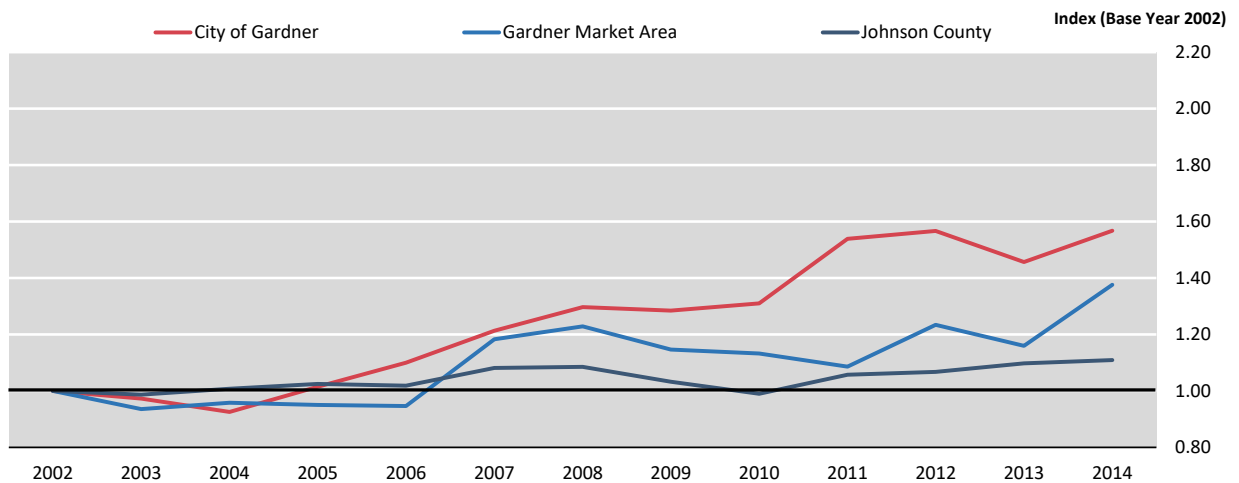
Description	2002	2005	2010	2014	2002-2014		
					Total	Avg. Annual #	Avg. Annual %
City of Gardner [1]	2,395	2,429	3,137	3,753	1,358	113	3.8%
Gardner Market Area	5,901	5,607	6,680	8,120	2,219	185	2.7%
Johnson County	302,435	309,767	299,332	335,397	32,962	2,747	0.9%

[1] Gardner employment adjusted to correct for approximately 1,000 Century Link jobs mistakenly added to City totals.

Source: LEHD; Economic & Planning Systems

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Figure 11
Regional Employment Growth Comparison



Source: LEHD; Economic & Planning Systems

Employment by Sector

Employment by sector and the change of employment by sector from 2002 to 2014 is shown in **Table 6** and **Figure 12**, respectively. Educational Services represents the largest employment sector with 983 jobs, followed by Retail Trade at 502 jobs and Hotels/Restaurants at 477 jobs. These three sectors along with Health Care represented the fastest growing industries in the City over the past 10 years, adding approximately 1,000 new jobs. In general, these sectors represent service industries, which support residential population and their growth strongly correlates with the large population growth that took place in Gardner over this same time period.

Manufacturing, which by contrast is a primary employment sector importing dollars to the region and generating new service sector jobs, lost 70 jobs over the last 10 years. Transport & Warehousing, which is a support industry for industrial as well as distributional services (e.g. Amazon), gained 243 jobs. The Transport & Warehousing sector had only 43 jobs in 2005 with employment increasing to 286 jobs in 2014. This represents an average annual increase of 23.4 percent, the largest rate of increase of any sector in Gardner. In recent years, this sector has continued its strong growth with New Century AirCenter and Logistics Park Kansas City expanding and adding jobs.

Table 6
Gardner Employment by Sector

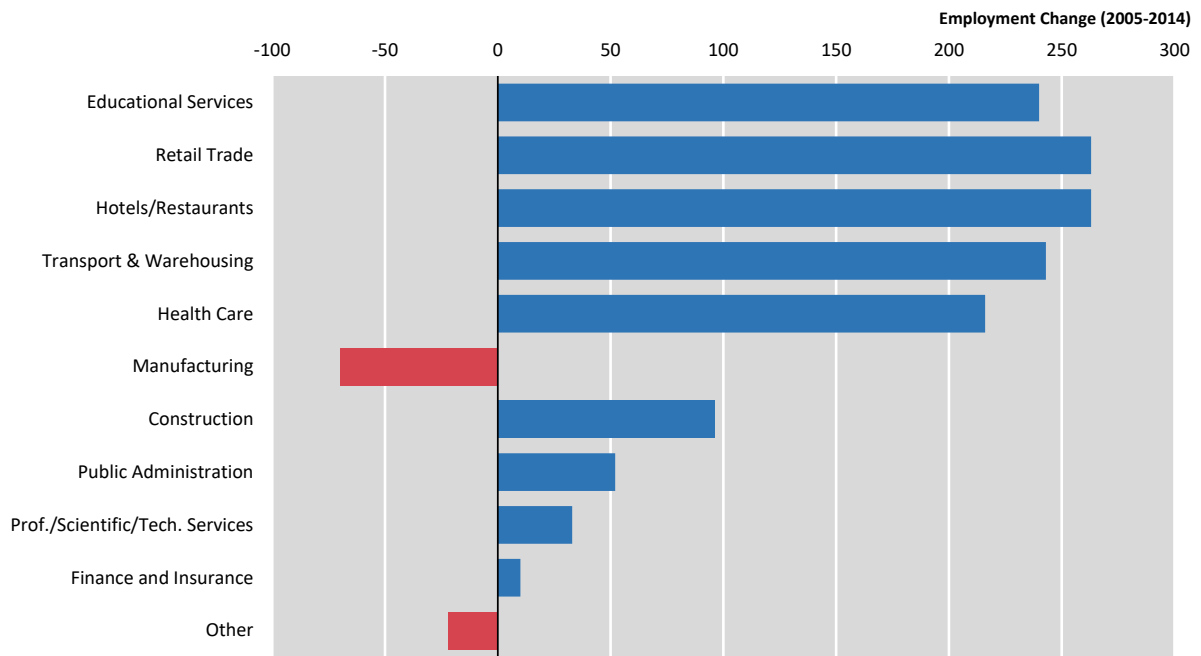
Description	2005	2010	2014	2005-2014		
				Total	Avg. Annual #	Avg. Annual %
Educational Services	743	998	983	240	27	3.2%
Retail Trade	239	436	502	263	29	8.6%
Hotels/Restaurants	214	348	477	263	29	9.3%
Transport & Warehousing	43	79	286	243	27	23.4%
Health Care	60	146	276	216	24	18.5%
Manufacturing	343	320	273	-70	-8	-2.5%
Construction	132	163	228	96	11	6.3%
Public Administration	124	151	176	52	6	4.0%
Prof./Scientific/Tech. Services	82	79	115	33	4	3.8%
Finance and Insurance	94	91	104	10	1	1.1%
Information [1]	44	41	41	-3	0	-0.8%
Other	<u>311</u>	<u>285</u>	<u>292</u>	<u>-19</u>	<u>-2</u>	<u>-0.7%</u>
Total	2,429	3,137	3,753	1,324	147	5.0%

[1] Gardner employment adjusted to correct for approximately 1,000 Century Link jobs mistakenly added to City totals.

Source: LEHD; Economic & Planning Systems

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Figure 12
Change in Gardner Employment by Sector



Source: LEHD; Economic & Planning Systems

Major Employers

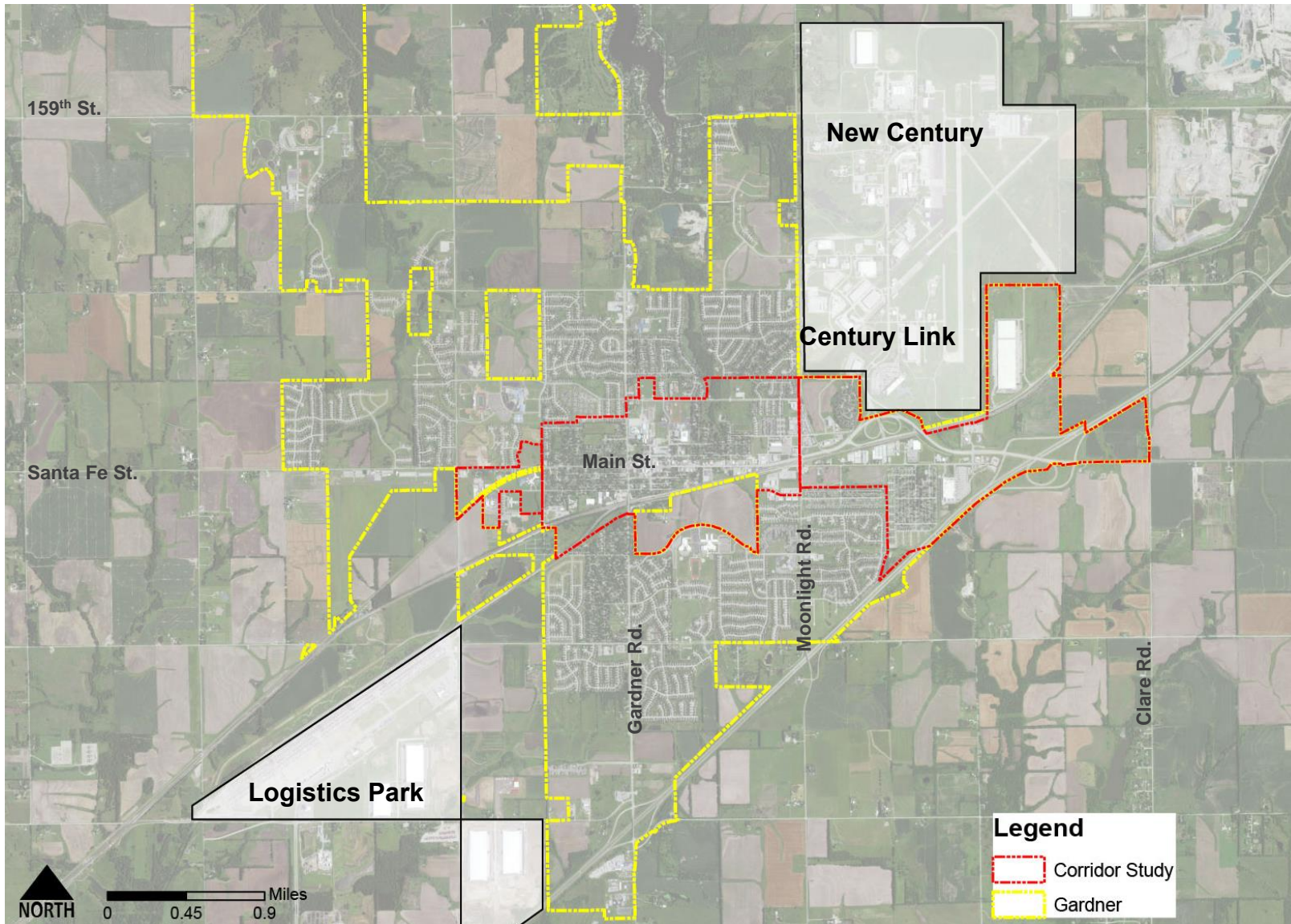
The top 10 employers in Gardner in 2015 are shown in **Table 7**. These employers represent just over half of the jobs in the City. By far the largest employer is the school district with 800 jobs. Walmart was the second largest employer at 250 jobs, followed by Meadowbrook Rehabilitation hospital at 174 jobs and Epic Landscape Productions at 172 jobs. Coleman, which is an example of a warehouse and distribution center, was the next largest employment at 167 jobs.

Table 7
Gardner Top 10 Major Employers

Description	Employees (2015)	% Total Employment
Unified School District No. 231	800	19.15%
Walmart	250	5.98%
Meadowbrook Rehabilitation Hospital	174	4.16%
Epic Landscape Productions	172	4.12%
Coleman	167	4.00%
City of Gardner	135	3.23%
TradeNet Publishing	130	3.11%
Price Chopper	130	3.11%
Medical Lodge of Gardner	102	2.44%
D.O.T. Label, Inc. (ITW)	87	2.08%
Subtotal	2,147	51.38%

Source: City of Gardner CAFR; Economic & Planning Systems

Figure 13
Location of Large Manufacturing and Logistics Clusters



Commuting

Based on U.S. Census LEHD data, there were a total of 5,143 jobs in Gardner in 2014 with 1,105 filled by local residents or 21 percent of the total as shown in **Table 8**. Of the remaining 4,038 commuting in, most come from other Johnson County cities including Olathe (802), Overland Park (465), Shawnee (163) and Lenexa (144). The 1,105 Gardner residents working locally represent 11 percent of the 9,869 in the total Gardner workforce. The remaining 8,764 employed residents largely commute to Johnson County and Kansas City as shown in **Figure 14**.

Table 8
Gardner Inflow-Outflow, 2014

Description	Count	Percent
Employment		
Employed and Living in Gardner	1,105	21%
Employed in the Gardner but Living Outside	<u>4,038</u>	<u>79%</u>
Employed in Gardner	5,143	100%
Labor Force		
Living and Employed in Gardner	1,105	11%
Living in Gardner but Employed Outside	<u>8,764</u>	<u>89%</u>
Living in Gardner	9,869	100%

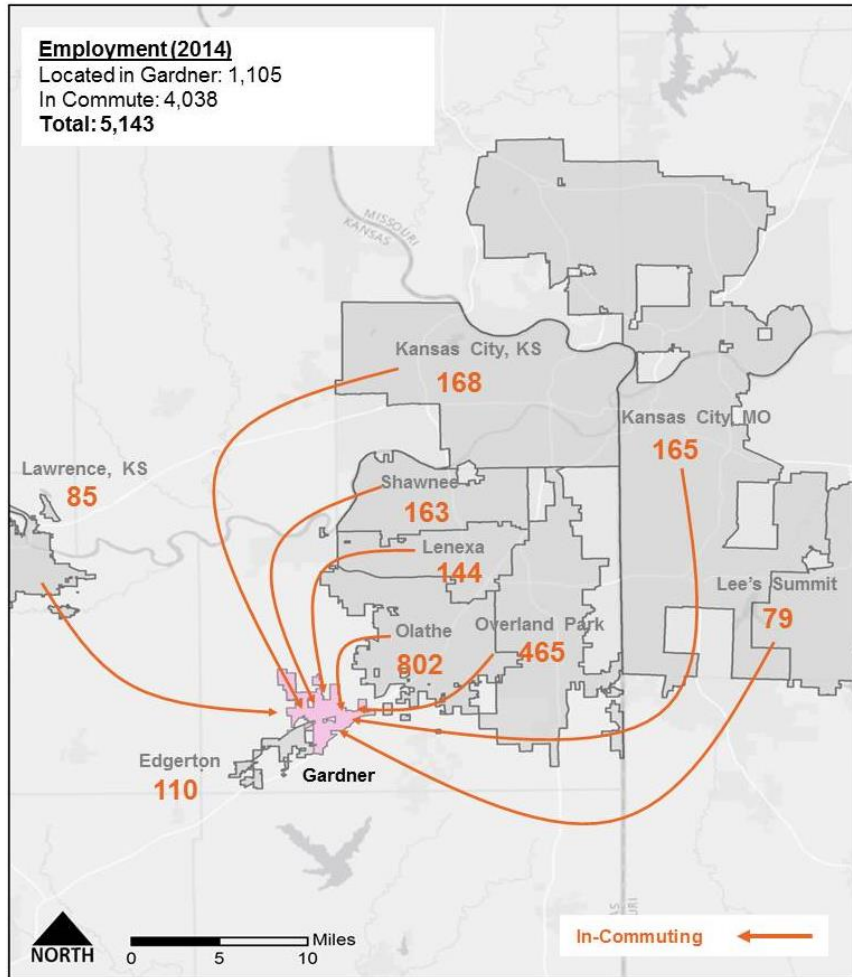
Source: LEHD; Economic & Planning Systems

Commuting to New Century AirCenter and LPKC

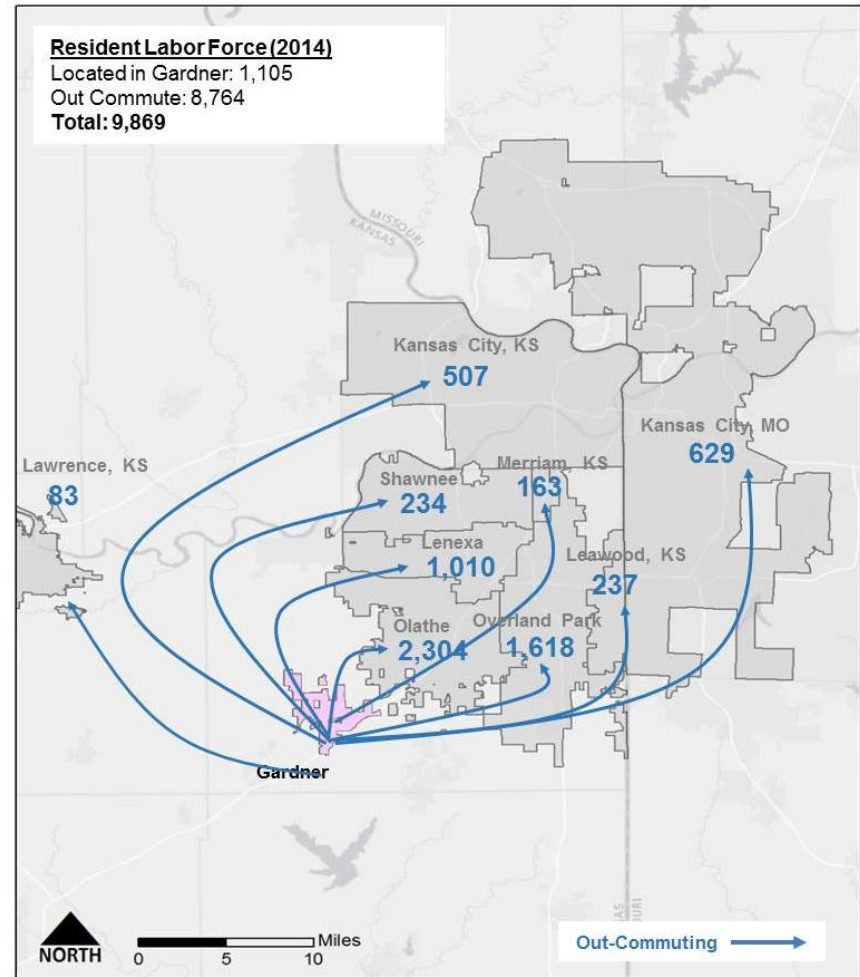
The rapid growth of LPKC and New Century AirCenter has made it difficult for some employers to find workers. Lack of public transit options from the Kansas City Metro region to these areas has further reduced access to potential workers. At least one employer in the LPKC has begun to run bus options from Kansas City. This issue is also being addressed per the S.W. Johnson County Transit Plan.

Figure 14
Gardner Commuting Patterns

In-Commuting



Out-Commuting



Source: LEHD; Economic & Planning Systems

3. RESIDENTIAL DEVELOPMENT TRENDS

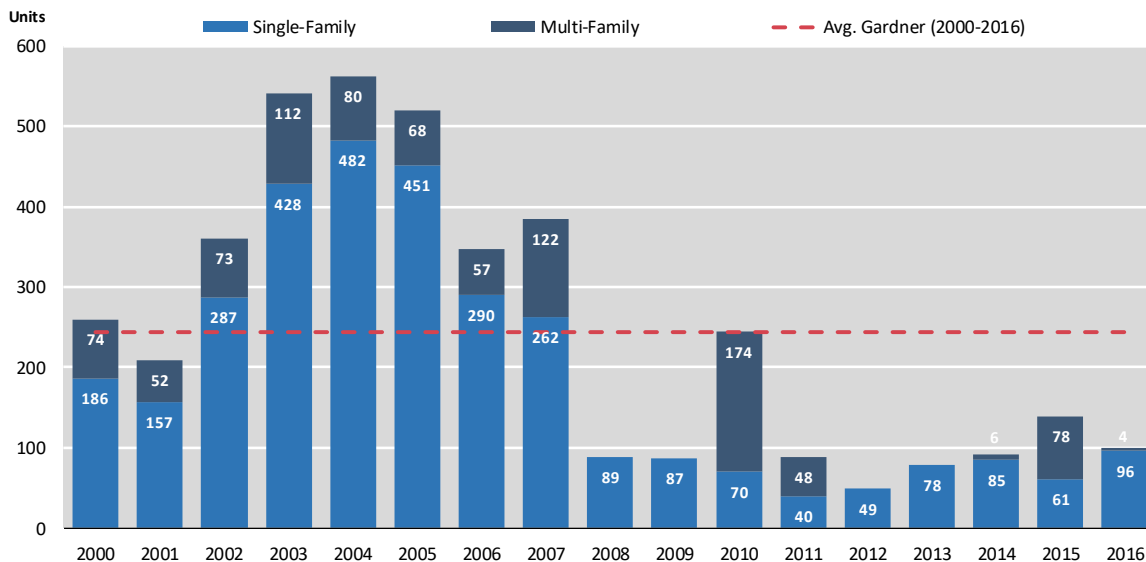
This chapter describes residential development trends in Gardner, including the location of residential development within the City, based on permit data, including geo-located permits from the City of Gardner. Over the last 10 years, there has been no residential development in the Main Street Corridor. A full summary of the permit data and maps of permit locations are included at the end of the section.

Construction Trends

Since 2000, the City has issued 4,146 permits comprised of 3,198 single-family homes (77 percent of total permits) and of 948 multi-family units (23 percent of total permits), as shown in **Table 9**. As clearly illustrated in **Figure 15**, the City issued 3,181 permits or 77 percent of the total permits between 2000 and 2007, before the recession. Unsurprisingly, this period corresponds to the rapid increase of population in the City.

Since 2008, the number of building permits issued by the City for new housing units has decreased dramatically, see **Figure 15**. From 2008 to 2016, the City averaged approximately 107 units per year, compared to approximately 398 units per year in the previous eight years. For the nine years from 2008 to 2016, permits for 2,016 housing units were issued compared to 3,181 housing units for the previous eight years. During this time, the percentage of single-family permits issued has dropped to 68 percent, with multi-family permits rising to 32 percent. An increase in the percentage of multi-family permits and, as a corollary, an increase in the percent of renters is a trend that planners and housing experts have identified throughout the nation and seems to hold true in Gardner as well.

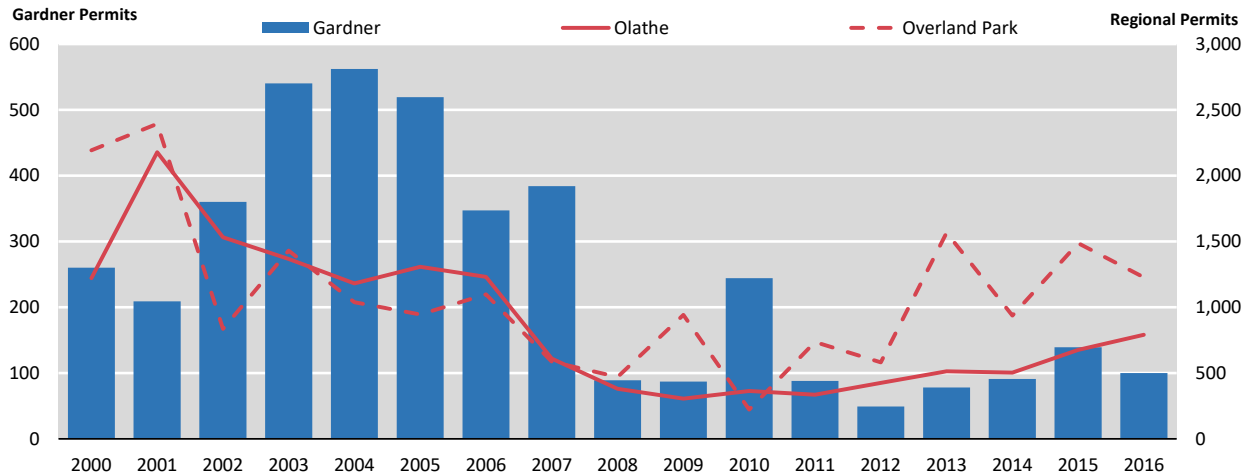
Figure 15
Gardner Residential Construction Trends by Product Type



Source: US Census C40; Economic & Planning Systems
H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-Permit Data.xlsx\T-C40 Permit Data

Regional permitting has generally followed a similar trend to Gardner with permitting peaking before 2008 and dropping off significantly afterwards. As an example, permitting trends for Olathe and Overland Park are shown in **Figure 16**. Both Olathe and Overland Park experienced peaks before 2007 and a relatively steady decline in the number of permits issued between 2008 and 2010, and then a modest recovery afterwards. While Olathe has not returned to pre-recession levels, Overland Park has, though permitting is still below its 2001 peak.

Figure 16
Regional Permitting as Compared to Gardner



Source: US Census C40; EOM; Economic & Planning Systems
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Main Street Corridor

The location of permits issued in Gardner from 2007 to 2016 is shown in **Figure 17**. The figures show that there has been no residential development in the Main Street Corridor over this time period. Instead, residential development has occurred in areas to the south and north of the Corridor. At the end of the section, **Figure 18** illustrates the location of single-family permits, and **Figure 19** illustrates the location of duplexes and multi-family permits. Single-family permits have been spread more uniformly in locations and subdivisions throughout the City, while duplex and, in particular, multi-family permits are clustered in a handful of locations.

**Table 9
Residential Construction**

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2000-2016	
																		Total	Avg.
City of Gardner																			
Single-Family	186	157	287	428	482	451	290	262	89	87	70	40	49	78	85	61	96	3,198	188
Multi-Family	<u>74</u>	<u>52</u>	<u>73</u>	<u>112</u>	<u>80</u>	<u>68</u>	<u>57</u>	<u>122</u>	<u>0</u>	<u>0</u>	<u>174</u>	<u>48</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>78</u>	<u>4</u>	<u>948</u>	<u>56</u>
Total	260	209	360	540	562	519	347	384	89	87	244	88	49	78	91	139	100	4,146	244
City of Olathe																			
Single-Family	1,220	1,437	1,247	1,219	1,174	1,082	890	599	352	286	364	317	409	505	494	498	562	12,655	744
Multi-Family	<u>0</u>	<u>740</u>	<u>284</u>	<u>147</u>	<u>6</u>	<u>225</u>	<u>341</u>	<u>10</u>	<u>28</u>	<u>19</u>	<u>0</u>	<u>18</u>	<u>15</u>	<u>8</u>	<u>8</u>	<u>177</u>	<u>228</u>	<u>2,254</u>	<u>133</u>
Total	1,220	2,177	1,531	1,366	1,180	1,307	1,231	609	380	305	364	335	424	513	502	675	790	14,909	877
City of Overland Park																			
Single-Family	836	927	793	861	844	602	499	354	164	127	211	274	351	422	384	387	429	8,465	498
Multi-Family	<u>1,356</u>	<u>1,466</u>	<u>42</u>	<u>568</u>	<u>194</u>	<u>342</u>	<u>599</u>	<u>231</u>	<u>305</u>	<u>815</u>	<u>11</u>	<u>462</u>	<u>230</u>	<u>1,144</u>	<u>552</u>	<u>1,099</u>	<u>798</u>	<u>10,214</u>	<u>601</u>
Total	2,192	2,393	835	1,429	1,038	944	1,098	585	469	942	222	736	581	1,566	936	1,486	1,227	18,679	1,099
Johnson County																			
Single-Family	3,504	3,771	3,653	4,034	3,860	3,358	2,508	1,807	884	653	858	872	1,242	1,689	1,525	1,600	1,683	37,501	2,206
Multi-Family	<u>1,964</u>	<u>2,718</u>	<u>586</u>	<u>1,319</u>	<u>538</u>	<u>1,098</u>	<u>1,243</u>	<u>784</u>	<u>776</u>	<u>848</u>	<u>195</u>	<u>559</u>	<u>423</u>	<u>1,716</u>	<u>1,164</u>	<u>1,429</u>	<u>1,573</u>	<u>18,933</u>	<u>1,114</u>
Total	5,468	6,489	4,239	5,353	4,398	4,456	3,751	2,591	1,660	1,501	1,053	1,431	1,665	3,405	2,689	3,029	3,256	56,434	3,320
Gardner as a Percentage of Johnson County																			
Single-Family	5%	4%	8%	11%	12%	13%	12%	14%	10%	13%	8%	5%	4%	5%	6%	4%	6%		9%
Multi-Family	<u>4%</u>	<u>2%</u>	<u>12%</u>	<u>8%</u>	<u>15%</u>	<u>6%</u>	<u>5%</u>	<u>16%</u>	<u>0%</u>	<u>0%</u>	<u>89%</u>	<u>9%</u>	<u>0%</u>	<u>0%</u>	<u>1%</u>	<u>5%</u>	<u>0%</u>		<u>5%</u>
Total	5%	3%	8%	10%	13%	12%	9%	15%	5%	6%	23%	6%	3%	2%	3%	5%	3%		7%

Source: US Census C40; Economic & Planning Systems

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Figure 17
Gardner Housing Permits by Number of Units, 2007-2016

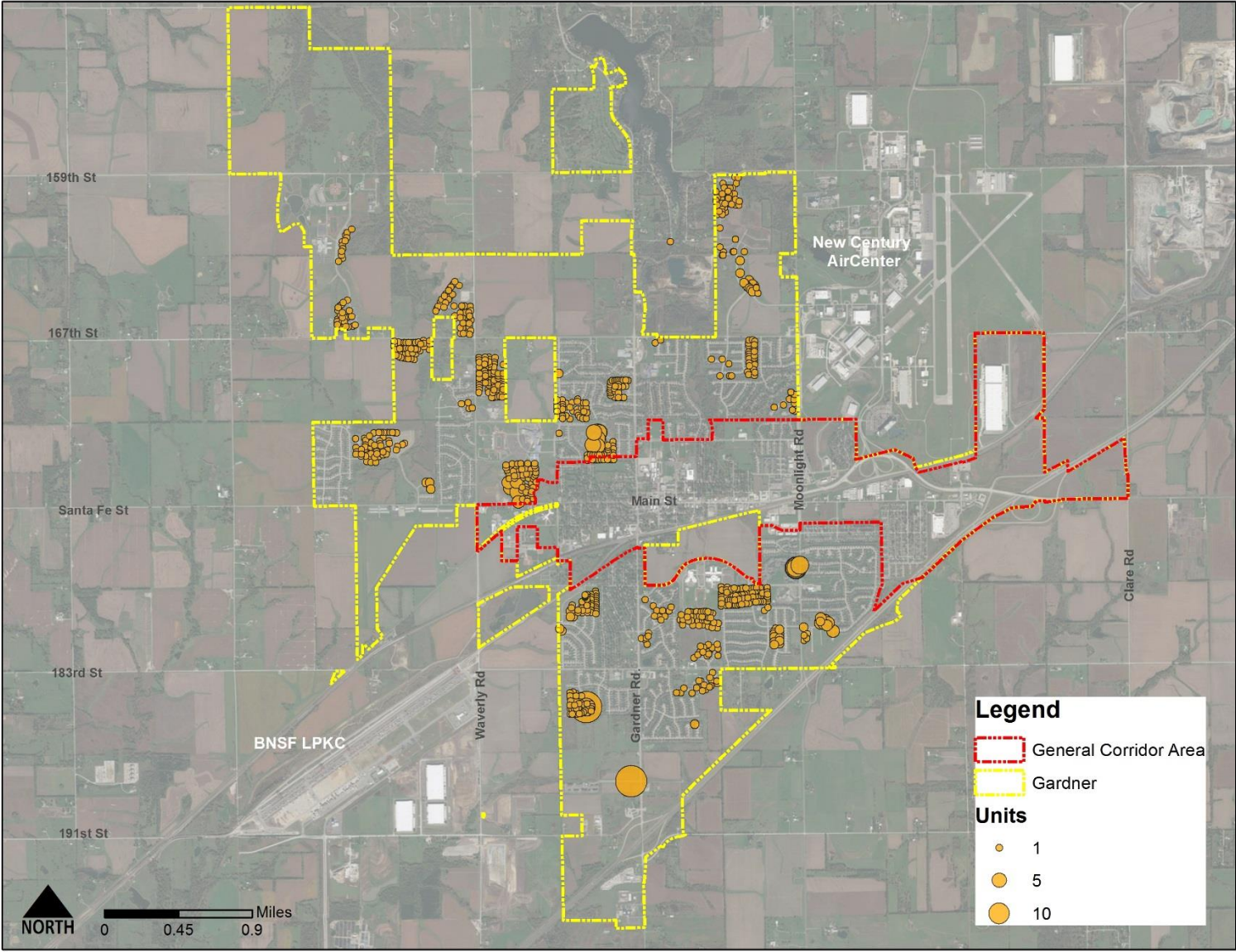


Figure 18
Single-Family Permits in Gardner, 2007-2016

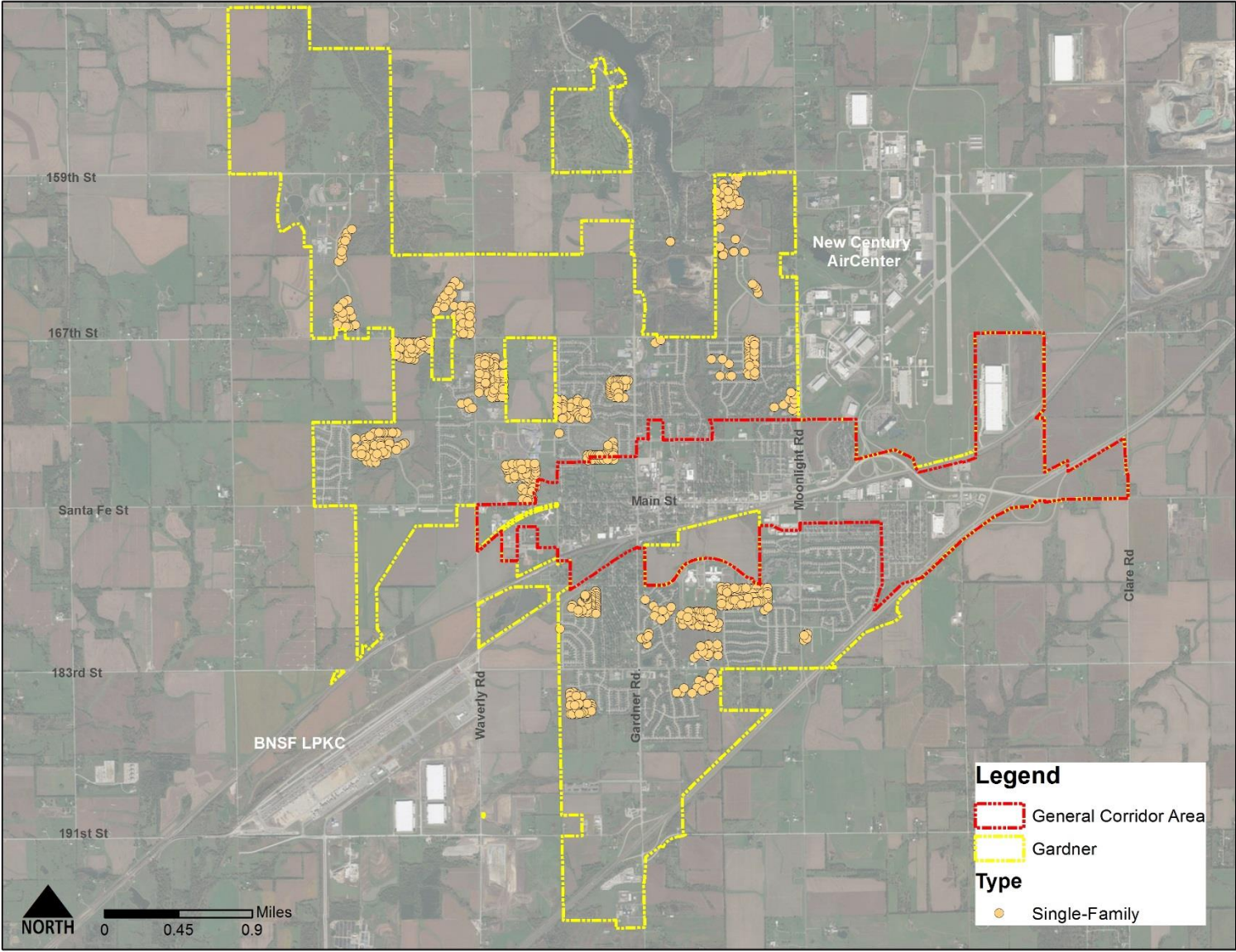
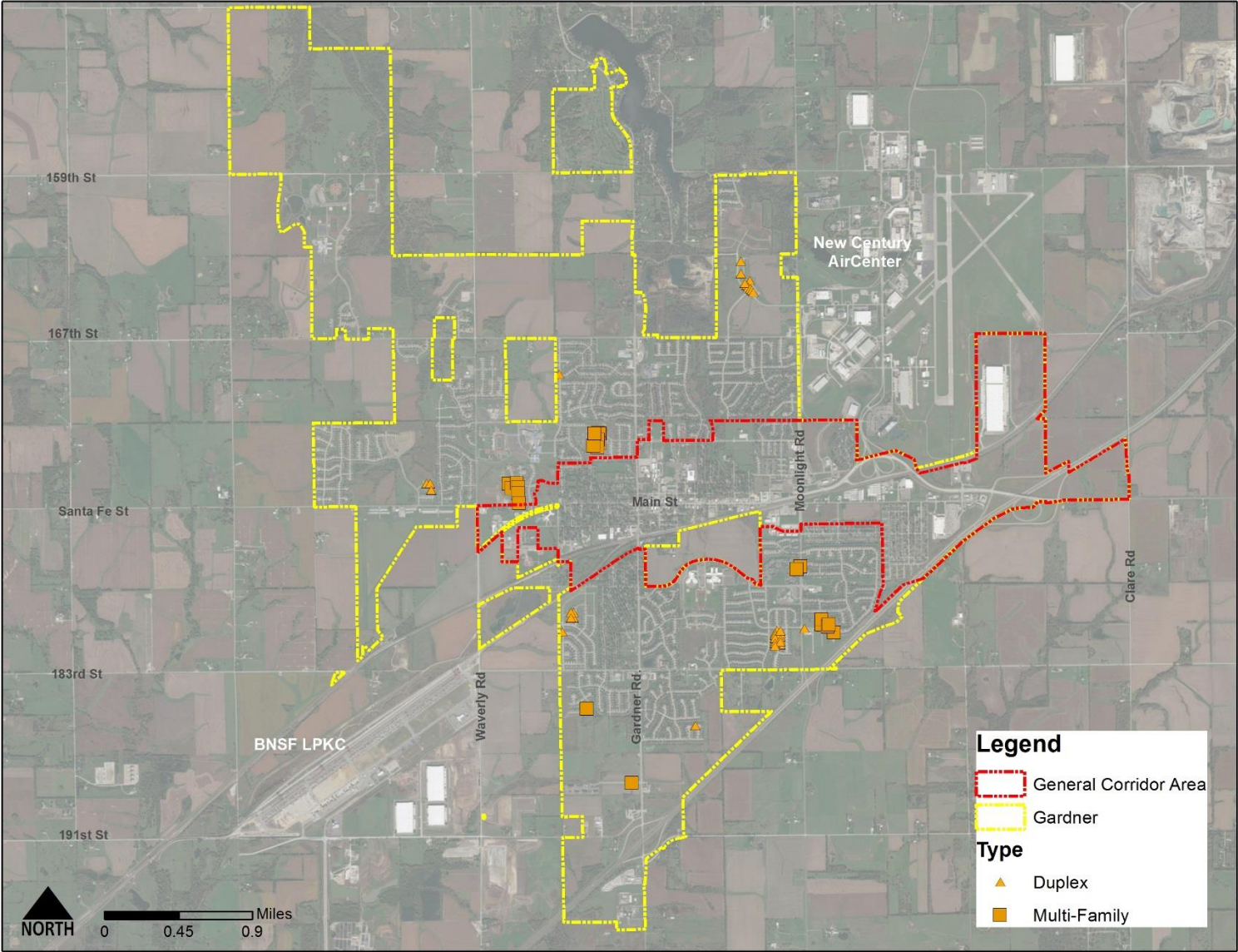


Figure 19
Duplex and Multi-Family Permits Issued in Gardner, 2007-2016



Home Prices and Rents

Single-Family Home Prices

Median single-family home prices in Gardner have increased from approximately \$115,000 to \$170,000 from 2001 to 2016, an average increase of \$3,659 per year or an average annual rate of 2.6 percent (**Table 10**). At \$170,000, the median price of a single-family home is lower in Gardner than surrounding communities, including Olathe at \$207,000, Overland Park at \$250,000, and Lenexa at \$234,000. Home prices in these communities have also grown at a faster rate than Gardner, increasing by between 2.8 percent and 3.3 percent per year as shown. While home prices in Gardner dropped following the Great Recession, they have since surpassed pre-recession levels (**Figure 20**).

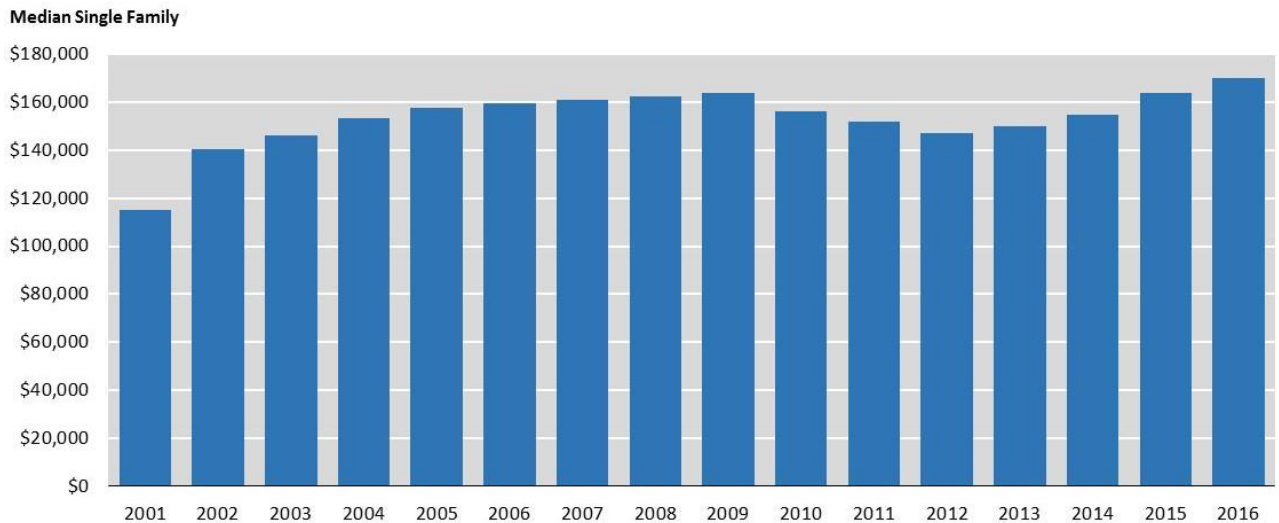
Table 10
Median Single-Family Homes Prices in Gardner and Surrounding Communities

Description	2001	2005	2010	2016	2001-2016		
					Total	Avg. Annual #	Avg. Annual %
Gardner	\$115,108	\$157,675	\$156,233	\$170,000	\$54,892	\$3,659	2.6%
Olathe	\$136,408	\$178,517	\$180,508	\$207,314	\$70,906	\$4,727	2.8%
Overland Park	\$153,667	\$206,100	\$212,217	\$250,529	\$96,862	\$6,457	3.3%
Lenexa	\$145,783	\$192,083	\$204,950	\$233,914	\$88,131	\$5,875	3.2%

Source: Zillow ; Economic & Planning Systems

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Figure 20
Gardner Median Home Price of a Single-Family Home

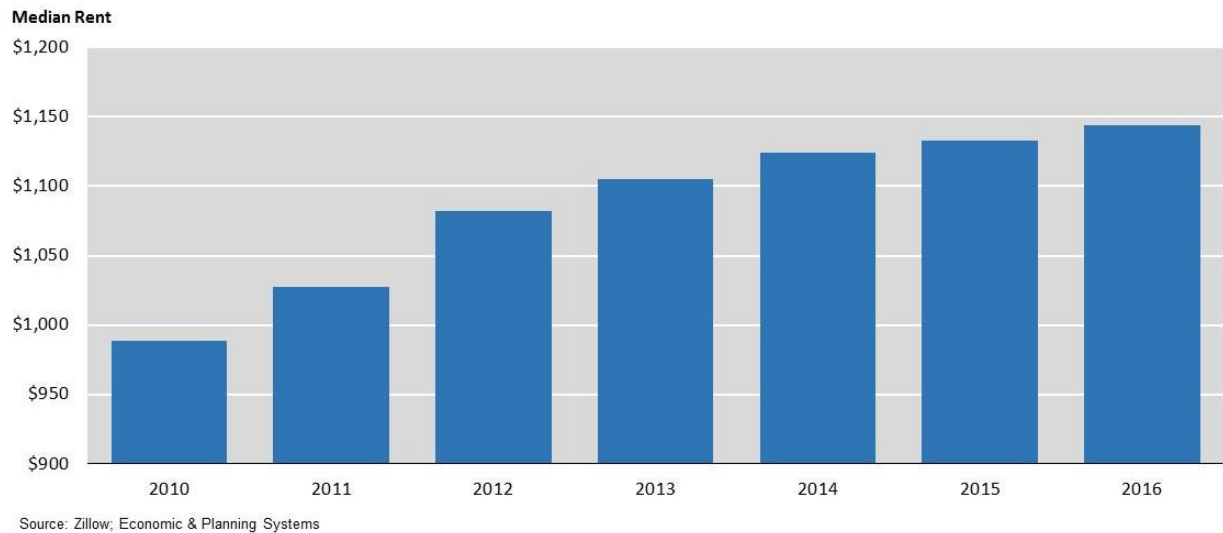


Source: Zillow; Economic & Planning Systems

Rents

Median rents in Gardner have also increased in recent years. From 2010 to 2016, rents increased from \$990 to \$1,150, an average annual increase of \$26 per year or an annual rate of 2.5 percent. At a rent level of \$1,150 per month, a household would need to earn approximately \$3,800 per month or \$45,600 a year in order to only pay 30 percent of their income in housing costs – a number that most housing advocates generally consider as affordable for most households.

Figure 21
Gardner Median Rent per Month



4. COMMERCIAL DEVELOPMENT TRENDS

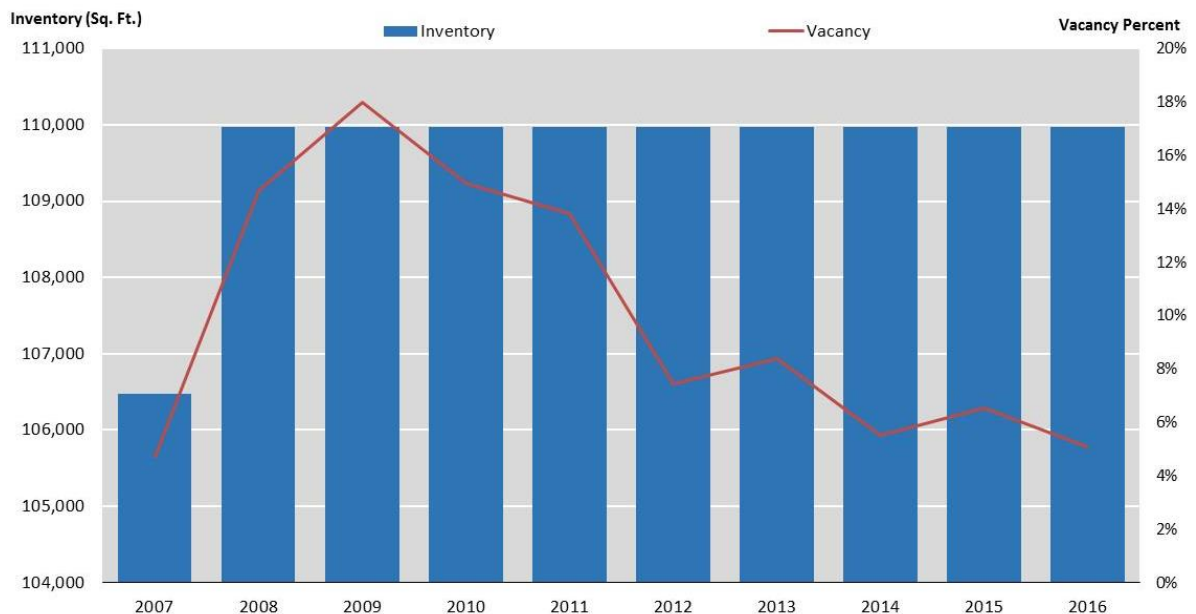
This chapter summarizes commercial development trends in Gardner from 2007 to 2016 including office, retail, and industrial/flex development segments. **Table 11** provides a more detailed summary of commercial development trends for all the segment types at the end of the chapter.

Office Development

According to CoStar, there is approximately 110,000 square feet of office inventory in Gardner. There has been no new office development in the City since 2007, when developers added 14,000 square feet to the market. While office inventory has stayed relatively constant over the past 10 years, vacancy rates have dropped from 18 percent in 2009, the height of the recession, to 5 percent in 2016. Economists generally consider a vacancy rate of around 5 percent as a healthy or equilibrium vacancy rate allowing for turnover within the market and for more competitive tenant selection (**Figure 22**).

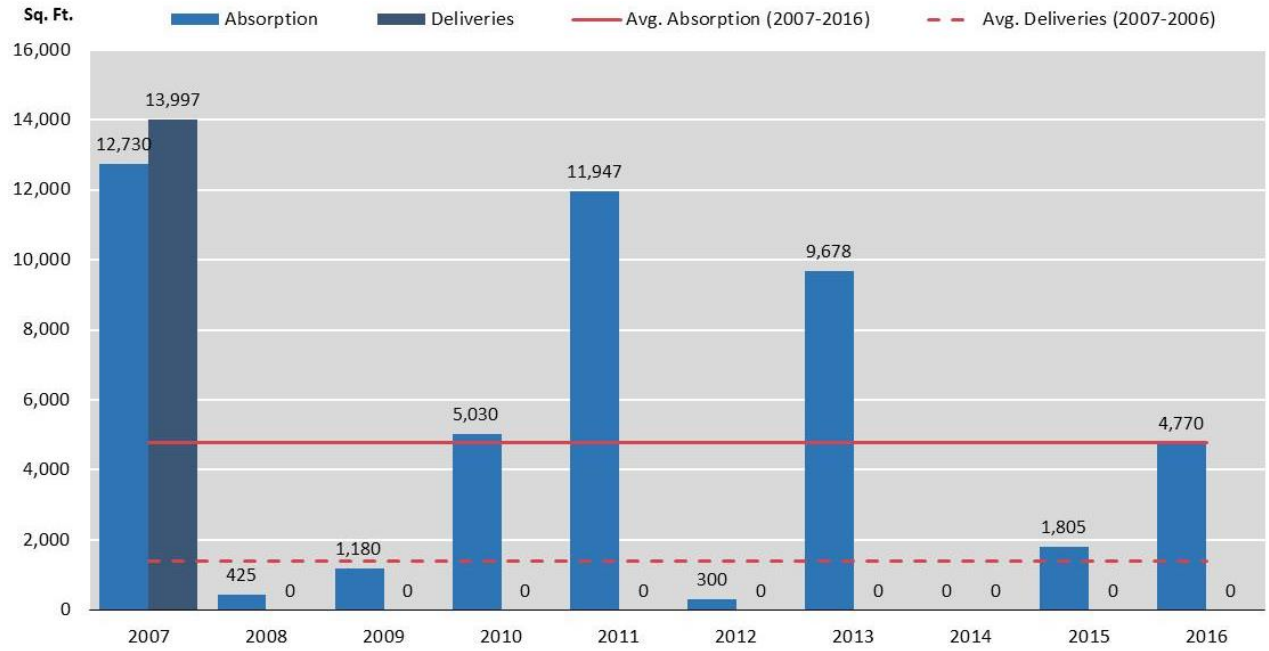
Decreasing vacancy rates generally correlate to increasing rents. However, rents in Gardner have stayed flat over the last 10 years at between \$14 and \$15 per square foot (**Figure 24**). The lack of rent appreciation may result from an aging office inventory or may signal a relatively weak demand for office development in Gardner, requiring lower rents to be attractive with a more regional market area. While overall office demand has not proven strong, continued population increase will create further demand for related office-based service industries, driving a need for additional office spaces in the City.

Figure 22
Gardner Inventory of Office Development



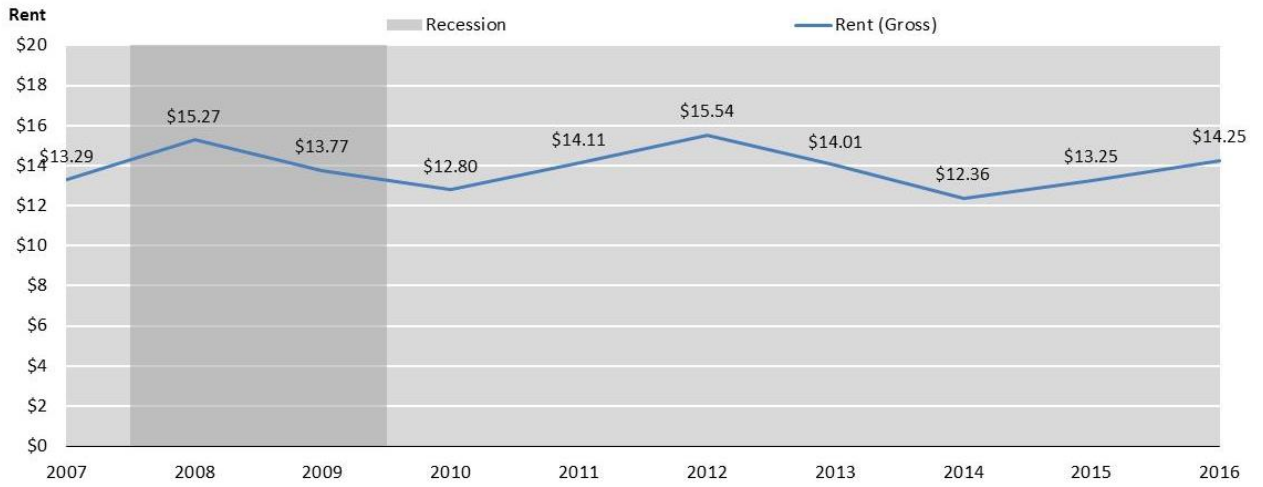
Source: CoStar; Economic & Planning Systems

Figure 23
Gardner Office Absorption and Deliveries



Source: CoStar; Economic & Planning Systems
 H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-CoStar.xlsx\T-Commercial History

Figure 24
Gardner Office Rent

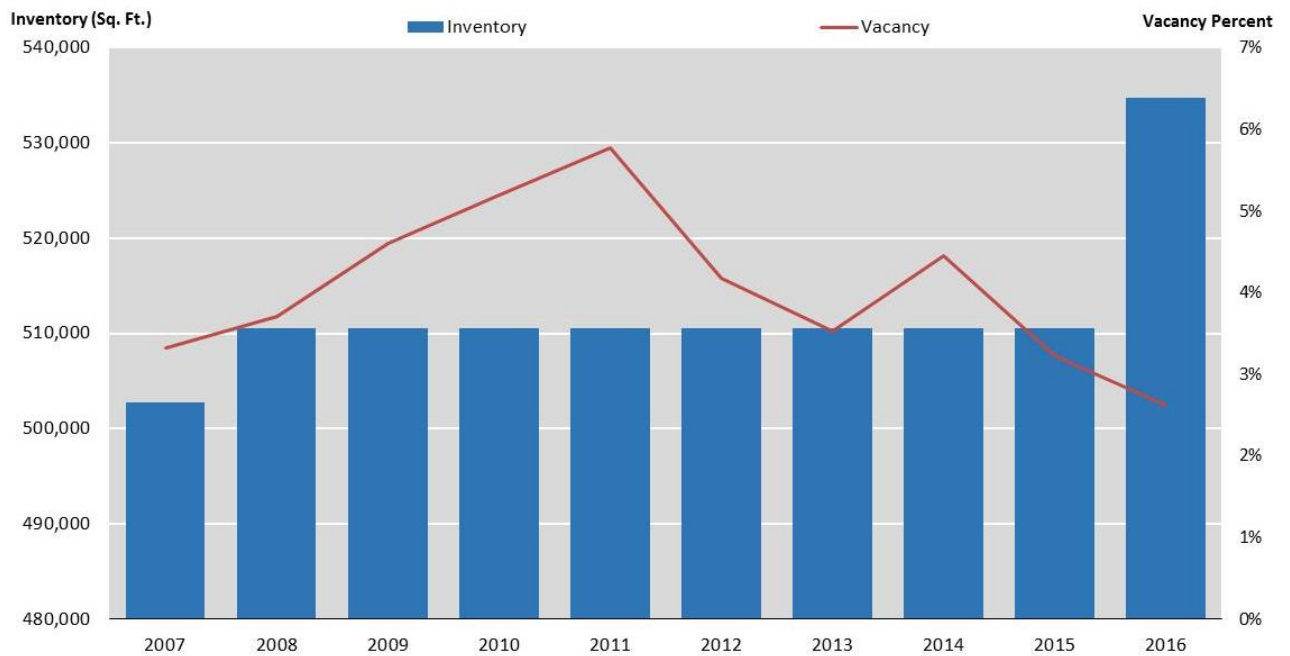


Source: CoStar; Economic & Planning Systems
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Retail Development

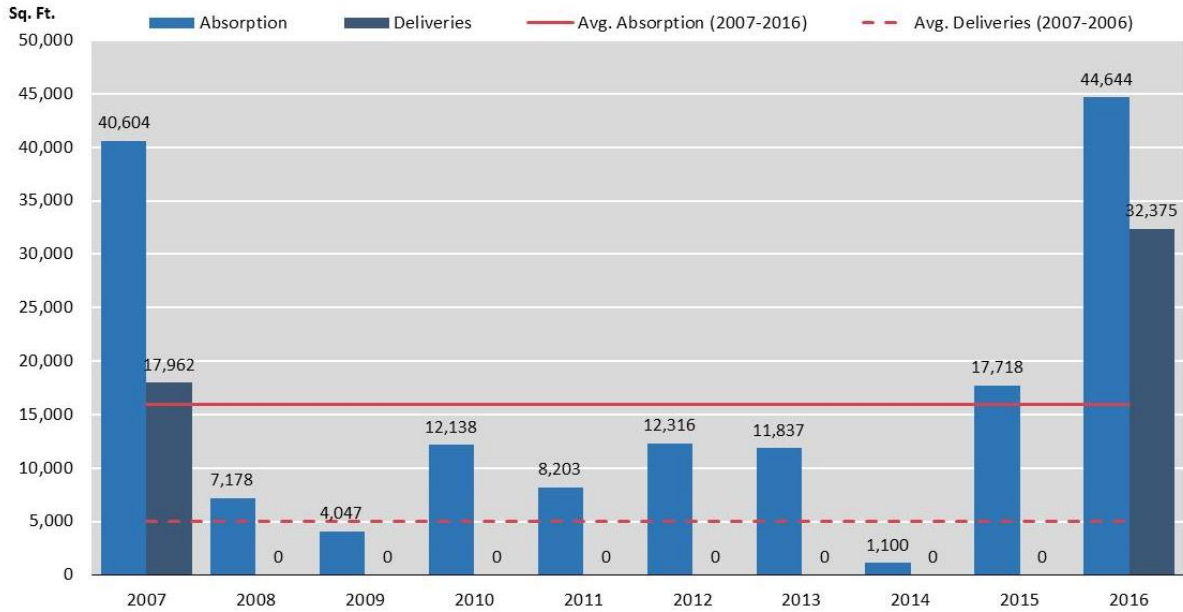
There is approximately 535,000 square feet of retail space in the retail inventory tracked by CoStar. Over the last 10 years, the market has added net 32,000 square feet to its retail inventory, resulting from both new deliveries and demolitions. Over this time period, retail vacancy has dropped and is currently at 3 percent (**Figure 25**). Similar to office, retail rents have stayed relatively flat even as vacancy has decreased (**Figure 26**). Again, this may result from an aging retail stock or from a significant percentage of retail space at the lower end of the market. However, as Gardner’s population continues to increase, demand for retail space will also increase as retail follows households.

Figure 25
Gardner Inventory of Retail Development



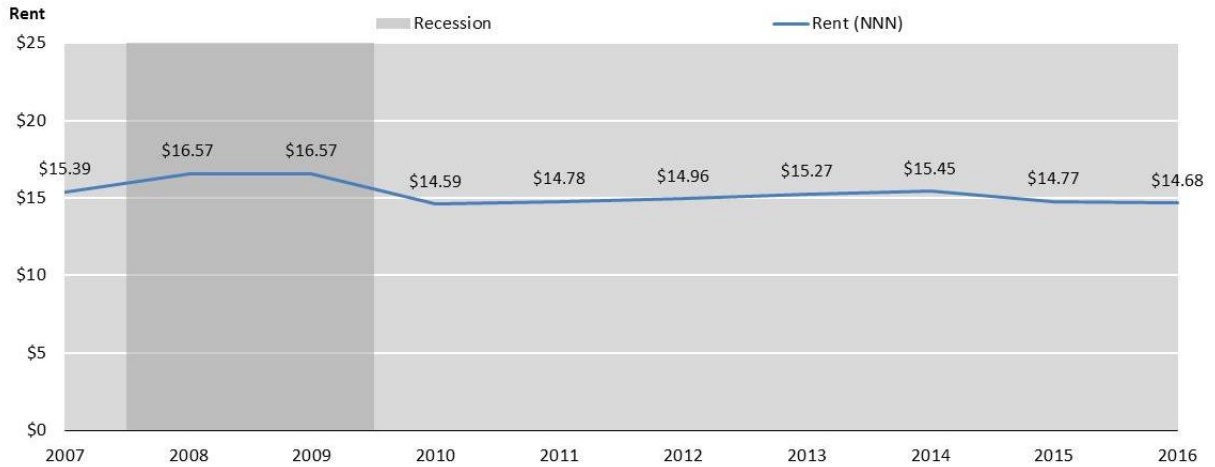
Source: CoStar; Economic & Planning Systems

Figure 26
Gardner Retail Absorption and Deliveries



Source: CoStar; Economic & Planning Systems
 H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-CoStar.xlsx\T-Commercial History

Figure 27
Gardner Retail Rent



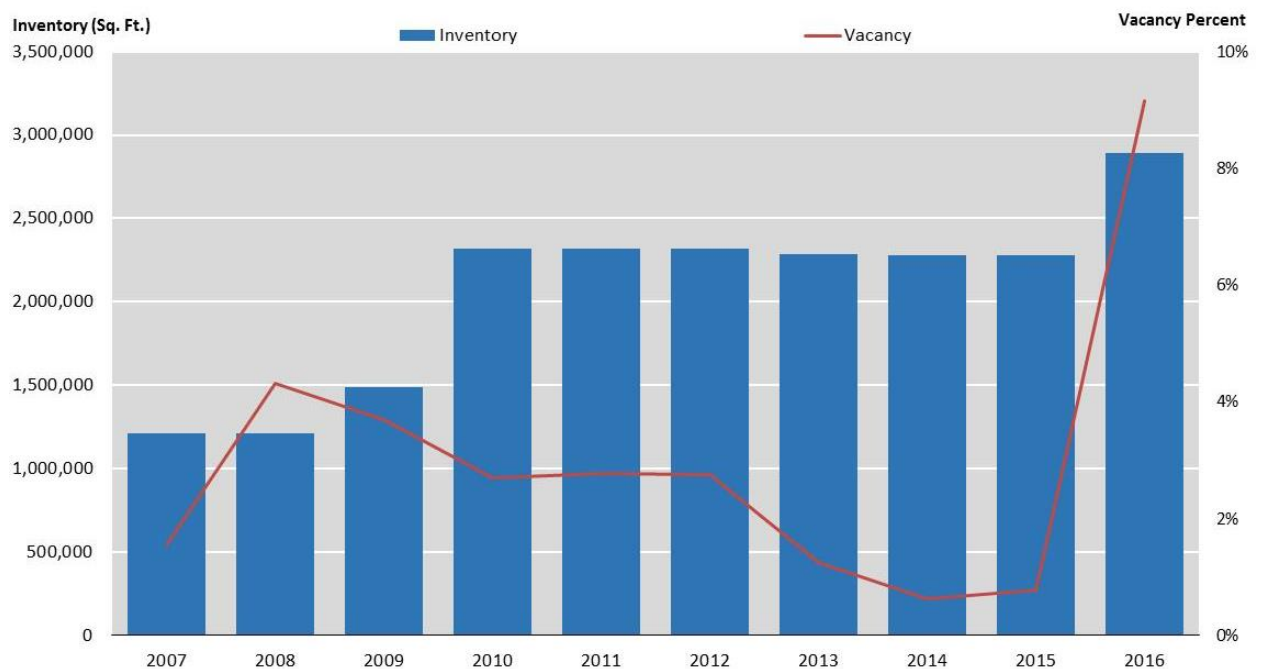
Source: CoStar; Economic & Planning Systems
 H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-CoStar.xlsx\T-Commercial History

Industrial/Flex Development

The industrial/flex market has been the most active commercial development segment in Gardner. Over the last 10 years, the market has added net 1.6 million square feet of space to its inventory, resulting from both demolitions and new deliveries. Much of this increase occurred in 2016 when the market delivered 2 million square feet of space. As inventory has increased, so has vacancy rate, which currently stands at 9 percent. The jump in vacancy may result from turnover within the market as new space becomes available as well an absorption period for the new space absorbed (**Figure 28**). Industrial flex rents dropped significantly after the Great Recession from approximately \$8.00 per square foot to \$3.90 per square foot. Rents, however, have largely recovered (**Figure 30**).

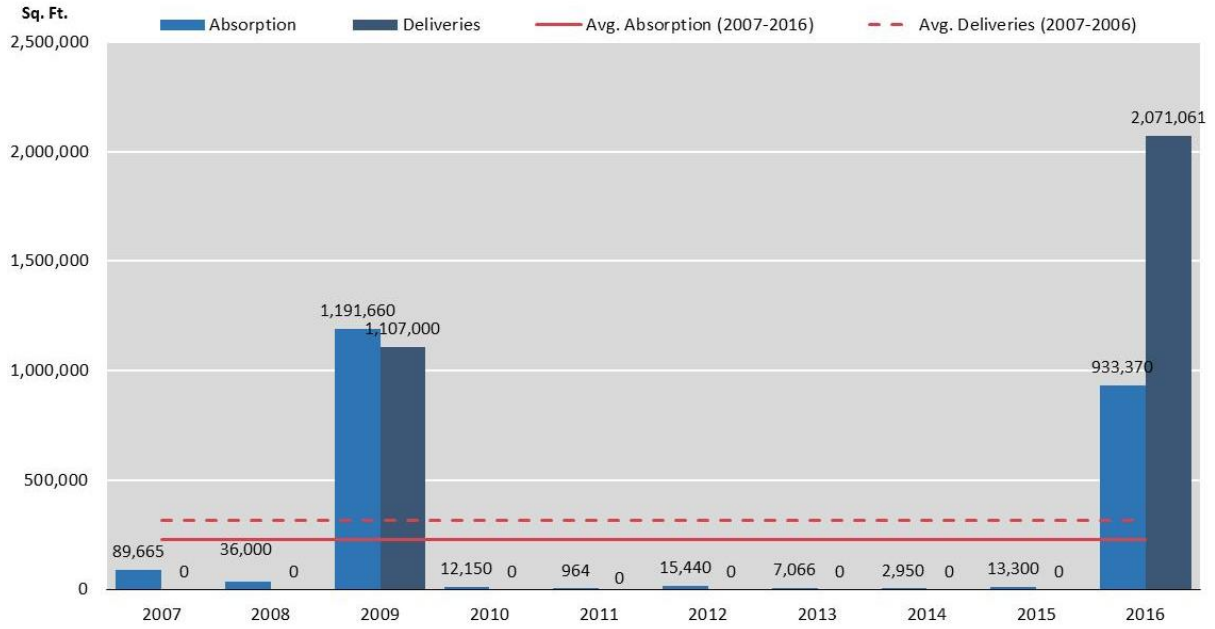
It is expected that industrial/flex space will continue to develop rapidly in the Gardner market. Much of this development will occur in LPKC and New Century AirCenter, but there will also likely be additionally industrial/flex space developed within Gardner itself.

Figure 28
Gardner Inventory of Industrial/Flex Development



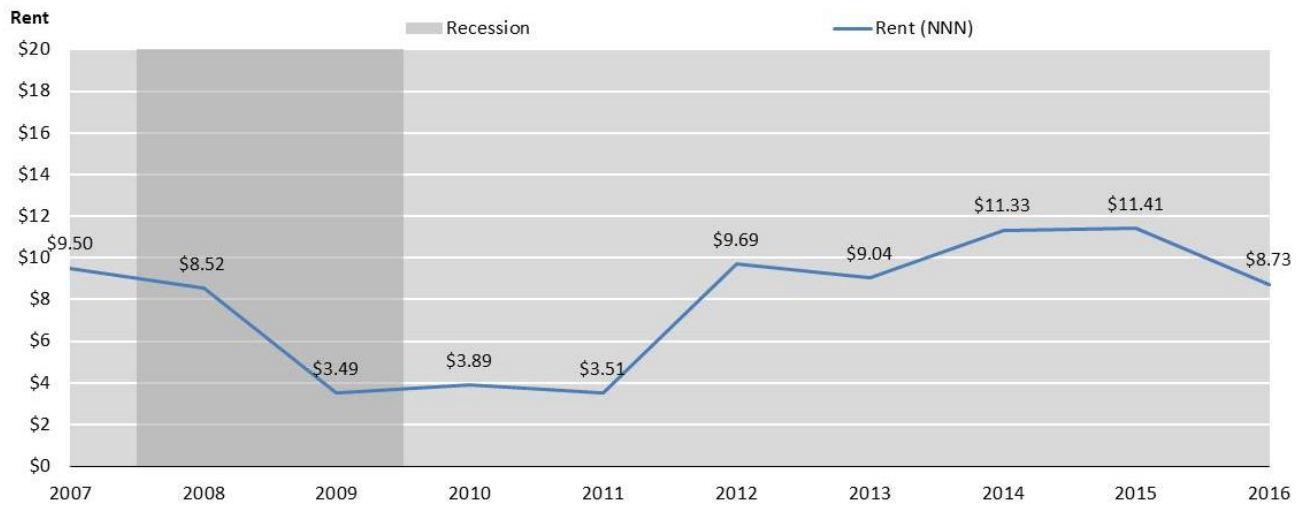
Source: CoStar, Economic & Planning Systems
 H:\163138-Gardner\KS Main Street Corridor Plan\Data\163138-CoStar.xlsx\T-Commercial History

Figure 29
Gardner Industrial/Flex Absorption and Deliveries



Source: CoStar; Economic & Planning Systems
 H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-CoStar.xlsx\T-Commercial History

Figure 30
Gardner Industrial/Flex Rent



Source: CoStar; Economic & Planning Systems
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Logistics Park Kansas City and New Century AirCenter

Recent rapid growth in warehouse and distribution and, to a somewhat lesser extent, manufacturing, has primarily focused on two locations in the Gardner area: LPKC and New Century AirCenter (**Figure 13**). Data on these areas were collected during field interviews.

Logistics Park Kansas City

The LPKC is growing at an extraordinarily rapid rate. Over the last three and a half years alone, it has added 7 million square feet of logistics/flex space. According to interviewees, most of this space is already occupied, and developers are building additional space, even on spec before pre-leasing the square footage. Jobs are paying approximately \$14 to \$16 per hour. Interviewees reported that businesses are having trouble hiring workers due to a high demand, which is driving up wages. Other employers have begun transporting workers from Downtown Kansas City.

While the facility is part of Edgerton, the fast growth potentially presents some opportunities for retail in Gardner near the I-35 interchange closest to the park. There may also be an opportunity to build housing targeting these workers, including a percentage of managers and executives who will have a demand for higher-end housing. Further, Gardner is planning to annex land adjacent to the LPKC, where a developer has proposed to build industrial/flex space, adding to industrial employment in the area.

New Century AirCenter

There are approximately 5,000 jobs at New Century AirCenter, including at Century Link. The AirCenter would like to focus more on manufacturing as well as some air-related industries as opposed to the distribution and warehousing at LPKC. Amazon Pantry recent opened a facility, and a cold storage facility just leased 450,000 square feet of space. The cold storage facility will employ 175 workers, paying them approximately \$15 per hour. An 80-acre parcel on the east side of the AirCenter has recently opened for non-aviation development. This additional development parcel will support approximately 700,000 square feet of industrial development at buildout.

Table 11
Commercial Development Trends

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016			
											Total	Avg. Annual #	Avg. Annual %	
Office														
Inventory	106,475	109,974	109,974	109,974	109,974	109,974	109,974	109,974	109,974	109,974	109,974	3,499	389	0.4%
Vacancy	5%	15%	18%	15%	14%	7%	8%	6%	7%	5%	5%	0.4%	0.0%	0.8%
Rent (Gross)	\$13.29	\$15.27	\$13.77	\$12.80	\$14.11	\$15.54	\$14.01	\$12.36	\$13.25	\$14.25	\$14.25	\$0.96	\$0.11	0.8%
Absorption (Sq Ft.)	12,730	425	1,180	5,030	11,947	300	9,678	0	1,805	4,770	4,770	47,865	4,787	---
Deliveries (Bldings)	2	0	0	0	0	0	0	0	0	0	0	2	0.2	---
Deliveries (Sq. Ft.)	13,997	0	0	0	0	0	0	0	0	0	0	13,997	1,400	---
Retail														
Inventory	502,786	510,477	510,477	510,477	510,477	510,477	510,477	510,477	510,477	510,477	534,758	31,972	3,552	0.7%
Vacancy	3%	4%	5%	5%	6%	4%	4%	4%	3%	3%	3%	-0.7%	-0.1%	-2.6%
Rent (NNN)	\$15.39	\$16.57	\$16.57	\$14.59	\$14.78	\$14.96	\$15.27	\$15.45	\$14.77	\$14.68	\$14.68	-\$0.7	-\$0.1	-0.5%
Absorption (Sq Ft.)	40,604	7,178	4,047	12,138	8,203	12,316	11,837	1,100	17,718	44,644	44,644	159,785	15,979	---
Deliveries (Bldings)	3	0	0	0	0	0	0	0	0	0	1	4	0	---
Deliveries (Sq. Ft.)	17,962	0	0	0	0	0	0	0	0	0	32,375	50,337	5,034	---
Industrial/Flex														
Inventory	1,211,544	1,211,544	1,488,294	2,318,544	2,318,544	2,318,544	2,288,319	2,278,244	2,278,244	2,890,515	2,890,515	1,678,971	186,552	10.1%
Vacancy	2%	4%	4%	3%	3%	3%	1%	1%	1%	9%	9%	7.6%	0.8%	21.8%
Rent (NNN)	\$9.50	\$8.52	\$3.49	\$3.89	\$3.51	\$9.69	\$9.04	\$11.33	\$11.41	\$8.73	\$8.73	-\$0.8	-\$0.1	-0.9%
Absorption (Sq Ft.)	89,665	36,000	1,191,660	12,150	964	15,440	7,066	2,950	13,300	933,370	933,370	2,302,565	230,257	---
Deliveries (Bldings)	0	0	1	0	0	0	0	0	0	0	3	4	0	---
Deliveries (Sq. Ft.)	0	0	1,107,000	0	0	0	0	0	0	0	2,071,061	3,178,061	317,806	---

Source: CoStar; Economic & Planning Systems

H:\163138-Gardner KSM Main Street Corridor Plan\Data\163138-CoStar_History.xlsx\T-Commercial History

5. POPULATION AND HOUSEHOLD FORECASTS

Population forecasts were developed for the 2015 to 2035-time period for the City. The forecasts are based on historical population growth rates for Gardner and the region (**Table 13** and **Table 14**). Over the next 20 years, it is projected that Gardner is estimated to grow at a rate of 2.9 percent per year, which equals approximately to 800 people per year or 280 households. This projected growth rate is less than the City's growth rate from 2000 to 2010 or 7.4 percent per year, but more than the City's growth rate from 2010 to 2015 of 1.7 percent. The decision to use the 2.9 percent growth rate was based on an understanding that fundamental changes in the economy after the Great Recession likely mean that the City's growth will not return its 2000 pre-recession levels. However, continued improvements to the economy, including the dramatic increase in distribution and warehousing space in and around the City, suggest that Gardner future growth will outperform its growth over the last five years. Household growth was estimated by dividing population forecast by the average household size for Gardner. These forecasts were primarily used as inputs into the retail demand analysis.

Table 12
Household and Population Forecast, 2015-2035

Description	2015	Projections				2015-2035		
		2020	2025	2030	2035	Total	Avg. Annual #	Avg. Annual %
MODEL INPUTS								
Growth Rates	1.69%	2.50%	3.50%	3.00%	2.50%			
Avg. HH Size	3.0	2.9	2.9	2.9	2.9			
MODEL RESULTS								
Population	20,868	23,610	28,042	32,508	36,780	15,912	796	2.9%
Households	6,966	8,118	9,641	11,177	12,646	5,680	284	2.7%

Source: U.S. Census; MARC Regional Forecasts; Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Models\163138-TPL_12-09-2017.xlsx\F-Pop & HH Forecast

Table 13
Regional Population Growth Trends

Description	2000	2010	2015	2000-2010			2010-2015		
				Total	Avg. Annual #	Avg. Annual %	Total	Avg. Annual #	Avg. Annual %
Gardner	9,396	19,191	20,868	9,795	980	7.4%	1,677	335	1.7%
Olathe	92,962	126,251	134,305	33,289	3,329	3.1%	8,054	1,611	1.2%
Shawnee	47,996	62,333	65,046	14,337	1,434	2.6%	2,713	543	0.9%
De Soto	4,561	5,732	6,074	1,171	117	2.3%	342	68	1.2%
Lenexa	40,238	48,280	52,490	8,042	804	1.8%	4,210	842	1.7%
Overland Park	149,080	174,095	186,515	25,015	2,502	1.6%	12,420	2,484	1.4%
Leawood	27,656	31,924	34,579	4,268	427	1.4%	2,655	531	1.6%
Merriam	11,008	11,046	11,288	38	4	0.0%	242	48	0.4%
Mission Hills	3,593	3,504	3,601	-89	-9	-0.3%	97	19	0.5%
Prairie Village	<u>22,072</u>	<u>21,475</u>	<u>21,877</u>	<u>-597</u>	<u>-60</u>	<u>-0.3%</u>	<u>402</u>	<u>80</u>	<u>0.4%</u>
Johnson County	451,086	545,789	580,159	94,703	9,470	1.9%	34,370	6,874	1.2%

Source: U.S. Census; Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-Demographics.xlsx\T-Regional Population Growth

Table 14
Regional Household Growth Trends

Description	2000	2010	2015	2000-2010			2010-2015		
				Total	Avg. Annual #	Avg. Annual %	Total	Avg. Annual #	Avg. Annual %
Gardner	3,307	6,644	6,966	3,337	334	7.2%	322	64	1.0%
Leawood	9,129	11,526	12,433	2,397	240	2.4%	907	181	1.5%
Olathe	32,314	45,742	42,791	13,428	1,343	3.5%	-2,951	-590	-1.3%
De Soto	1,642	1,886	2,166	244	24	1.4%	280	56	2.8%
Lenexa	15,574	18,672	20,006	3,098	310	1.8%	1,334	267	1.4%
Shawnee	18,522	22,940	23,689	4,418	442	2.2%	749	150	0.6%
Overland Park	59,703	71,465	74,830	11,762	1,176	1.8%	3,365	673	0.9%
Prairie Village	8,242	10,156	9,754	1,914	191	2.1%	-402	-80	-0.8%
Merriam	4,839	5,125	5,016	286	29	0.6%	-109	-22	-0.4%
Mission Hills	<u>1,284</u>	<u>1,236</u>	<u>1,231</u>	<u>-48</u>	<u>-5</u>	<u>-0.4%</u>	<u>-5</u>	<u>-1</u>	<u>-0.1%</u>
Johnson County	174,570	212,882	219,735	38,312	3,831	2.0%	6,853	1,371	0.6%

Source: U.S. Census; Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-Demographics.xlsx\T-Regional Household Growth

6. TARGETED RESIDENTIAL DEMAND ANALYSIS

This chapter summarizes a targeted residential demand analysis, looking at recent development trends, housing demand by income levels, and the corresponding affordable rents and home prices that would be supported by these income levels. The analysis helps the City gain insights on the types of product buyers and renters are demanding and whether or not the market supports these products. Finally, the chapter reviews a menu of potential infill development types. The analysis in this chapter helps introduce income and housing scenarios further tested in the **Opportunity Sites** section of this report.

Over the past 10 years, there has been no residential development in the Main Street Corridor, as shown in **Figure 17**. Instead, development has mainly occurred in greenfield subdivisions on the periphery of the Corridor and the City. Development within the Corridor would require more diverse and denser infill housing types like patio homes, rowhouses, apartments, and mixed-use developments. Some communities, to expedite the introduction of these household types, provide public investment in the form of either infrastructure improvements (e.g. streetscape improvements and/or park amenities) and/or direct gap financing for residential projects (e.g. financing for affordable housing). In addition, public efforts may be helpful in assembling sites large enough to support this density.

Recent Development

Multi-family housing activity has increased in the last six years compared to the previous decade. From 2010 to 2016, multi-family family units represented 39 percent of total permits issued compared to the previous decade when multi-family permits only represented 19 percent of the total (**Table 15**).

Table 15
Percentage Single-Family and Multi-Family Permit Issuances

Description	2000-2009		2010-2016	
	Total	% Total	Amount	% Total
Product Type				
Single-Family	2,719	81%	479	61%
Multi-Family	638	19%	310	39%
Total	3,357	100%	789	100%

Source: Census C40; Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-Permit Data.xlsx\T-Housing Product Percent

This increase in multi-family permits corresponds to an increase in the percentage of renter-occupied housing units in the City. New Horizon Trails and Nottingham Village are two examples of recent multi-family housing projects that opened in 2017. As shown later in this chapter, these housing products represent affordable options for households with an income between \$35,000 and \$49,999.

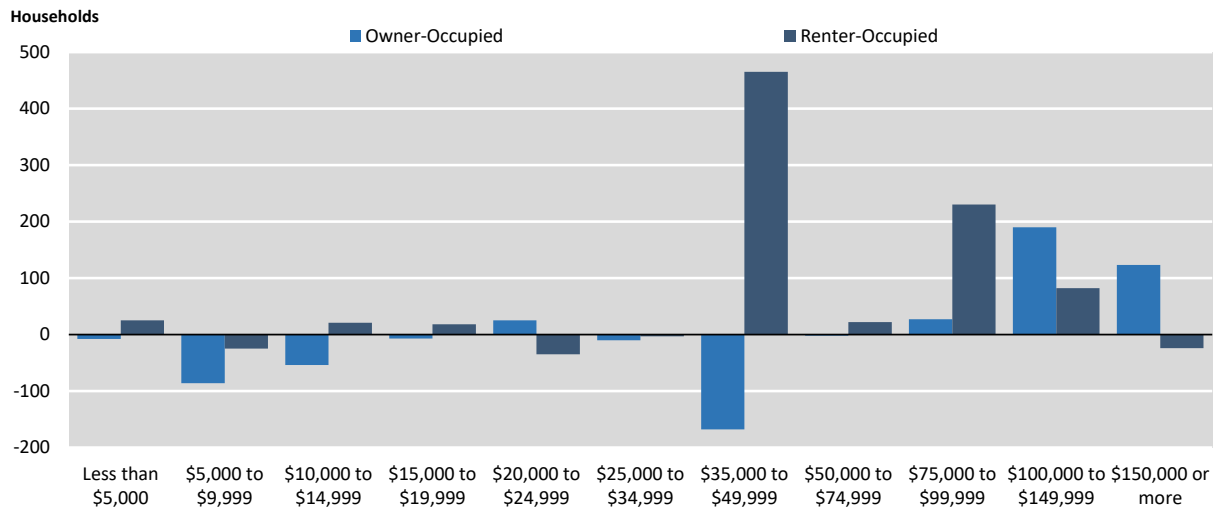
Targeted Income Levels

This section examines income levels that have shown strong demand within the City over the last five years. It also estimates the potential income levels of employees of the LPKC and New Century AirCenter, the two largest area employment centers. It compares these incomes to the Housing and U.S. Urban Development (HUD) defined affordable housing income limits for Johnson County. The next section derives affordable housing costs associated with these income levels.

Housing Demand by Tenure

Over the past five years, renter-occupied households have accounted for 96 percent of total household growth in Gardner. Most of this growth or 58 percent of the total came from households earning between \$35,000 and \$49,999 in annual income. The next largest income cohort for renter-occupied housing was households earning between \$75,000 and \$99,999, which represented 29 percent of the total growth. Overall, the number of renter-occupied households increased or stayed relatively flat across all income levels. (It is important to note that renter-occupied housing is not always analogous to multi-family product, and renter-occupied households on the higher end of the income spectrum in Gardner are likely renting single-family homes.) In contrast, the number of owner-occupied households decreased for households earning less than \$50,000. The largest loss occurred for households earning between \$35,000 and \$49,999, the biggest gaining cohort for renter-occupied housing. The number of owner-occupied households increased for households earning more than \$75,000, with households earning between \$100,000 and \$150,000 having the biggest gain (**Figure 31** and **Table 16**).

Figure 31
Household Growth by Tenure and Income, 2010-2015



Source: US Census; Economic & Planning Systems
 H:\163138-Gardner KS Main Street Corridor Plan\Models\163138-Housing Demand Model.xls\T-Housing Tenure by

Table 16
Households Growth by Tenure and Income Level

Description	2010	2015	2015-2015	
			Amount	% Total
Owner-Occupied				
Less than \$5,000	31	23	-8	-1%
\$5,000 to \$9,999	97	11	-86	-11%
\$10,000 to \$14,999	85	31	-54	-7%
\$15,000 to \$19,999	113	106	-7	-1%
\$20,000 to \$24,999	39	64	25	3%
\$25,000 to \$34,999	308	298	-10	-1%
\$35,000 to \$49,999	678	510	-168	-21%
\$50,000 to \$74,999	1,221	1,219	-2	0%
\$75,000 to \$99,999	995	1,022	27	3%
\$100,000 to \$149,999	997	1,187	190	24%
\$150,000 or more	<u>185</u>	<u>308</u>	<u>123</u>	<u>15%</u>
Subtotal	4,749	4,779	30	4%
Renter-Occupied				
Less than \$5,000	16	41	25	3%
\$5,000 to \$9,999	53	28	-25	-3%
\$10,000 to \$14,999	84	105	21	3%
\$15,000 to \$19,999	61	79	18	2%
\$20,000 to \$24,999	76	41	-35	-4%
\$25,000 to \$34,999	197	194	-3	0%
\$35,000 to \$49,999	273	738	465	58%
\$50,000 to \$74,999	494	516	22	3%
\$75,000 to \$99,999	45	275	230	29%
\$100,000 to \$149,999	75	157	82	10%
\$150,000 or more	<u>37</u>	<u>13</u>	<u>-24</u>	<u>-3%</u>
Subtotal	1,411	2,187	776	96%
TOTAL	6,160	6,966	806	100%

Source: US Census; Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Models\[163138-Housing Demand Model.xls]T-Housing Tenure by Income

Warehouse and Distribution Incomes

LPKC and New Century AirCenter have seen significant growth in recent years. Much of this growth has been in logistics occupying warehouse and distribution space. These businesses generally have lower wages than the manufacturing and technology businesses that have located at the New Century AirCenter in the past.

Given the potential for workers in this sector to demand housing in Gardner, it will be important for the City to produce housing products that are affordable to these workers. **Table 17** shows estimated income levels of workers in these employment clusters. The table shows income levels assuming that a household has one person, one and a half people (i.e. one person working part-time), and two people working in warehouse and distribution. Incomes range from \$32,000 to \$64,000. (While this framework provides benchmark estimates, it is important to note that some jobs in LPKC and New Century AirCenter are seasonal, and it may be more difficult for families to be fully employed throughout the year than these estimates suggest.)

Table 17
Estimated Income Levels of LPKC and New Century AirCenter Workers

Description	Wage	Income [1]	
		Monthly	Annual
Jobs Per Household			
1 Jobs	\$16.00	\$2,667	\$32,000
1.5 Jobs	\$16.00	\$4,000	\$48,000
2 Jobs	\$16.00	\$5,333	\$64,000

[1] Based on a 40 hour work week and 50 work week year (i.e. 2 weeks of vacation)

Source: Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Models\163138-Housing Demand Model.xls]T-LPKC Income

HUD Income Limits

HUD income limits are shown in **Table 18**. The income limits are based on the area median income (AMI) of Johnson County. The table shows income limits for different percentages of AMI and for different household sizes. A family of four—assuming two parents and two children—is the most commonly referenced set of income limits. Affordable housing developments are designed to target specific percentage of AMI, and affordable housing financing sources, including Low Income Housing Tax Credits (LIHTC), require that developments have specific proportions of these income levels.

The \$35,000 and \$49,999 income range that represents the largest percentage of growth in the City over the past five years is shown in **Figure 32**. The figure illustrates that income levels representing the highest demand for housing in Gardner fall largely between 40 percent and 60 percent of the AMI for Johnson County. This confirms conclusions suggested by demographic and housing price data that the City provide more affordable housing options for the Johnson County region. It also suggests that future development along the Corridor may be eligible for affordable housing financing sources.

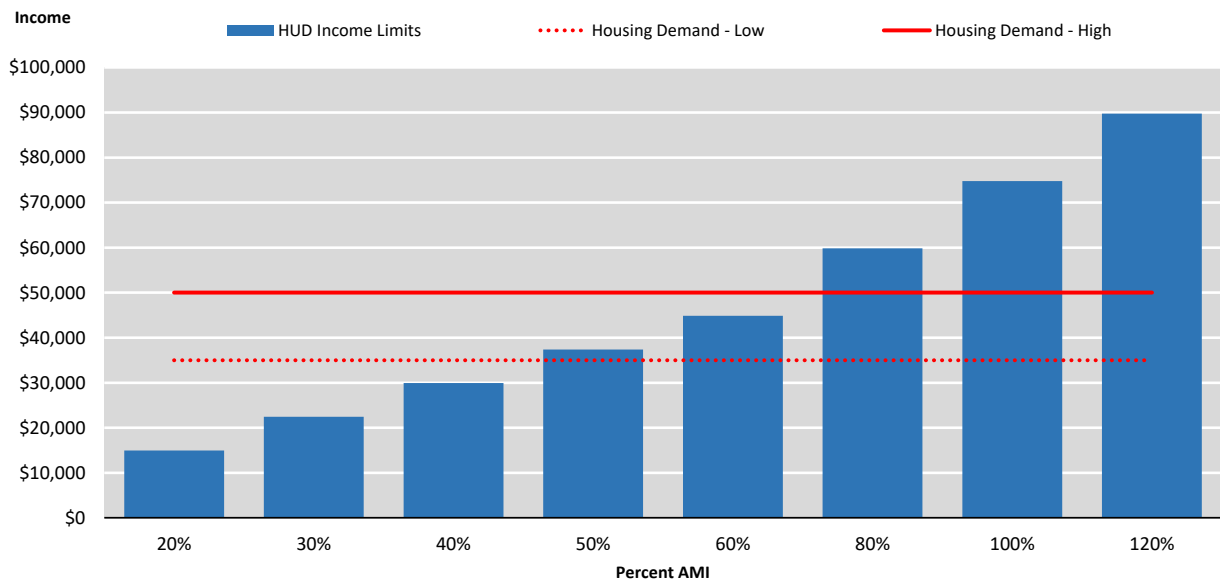
Table 18
HUD Johnson County Income Limits

Description	Persons In Family					
	1	2	3	4	5	6
Percent AMI						
20%	\$10,480	\$11,980	\$13,480	\$14,960	\$16,160	\$17,360
30%	\$15,720	\$17,970	\$20,220	\$22,440	\$24,240	\$26,040
40%	\$20,960	\$23,960	\$26,960	\$29,920	\$32,320	\$34,720
50%	\$26,200	\$29,950	\$33,700	\$37,400	\$40,400	\$43,400
60%	\$31,440	\$35,940	\$40,440	\$44,880	\$48,480	\$52,080
80%	\$41,920	\$47,920	\$53,920	\$59,840	\$64,640	\$69,440
100%	\$52,400	\$59,900	\$67,400	\$74,800	\$80,800	\$86,800
120%	\$62,880	\$71,880	\$80,880	\$89,760	\$96,960	\$104,160

Source: HUD; Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Models\163138-Housing Demand Model.xls]T-HUD Income Limits

Figure 32
HUD Income Limits Compared to Income Levels in the Gardner



Source: ESRI; Economic & Planning Systems

H:\163010-St Louis MO Northside Regeneration\Data\163010-E&D_v3.xlsx]Table-HHIncomeDistribution

Housing Affordability

This section estimates affordable rents and home prices by income range. Income ranges used in the analysis were chosen based on percentage of AMI as well as by referencing income levels that represent the highest demand for housing in Gardner. The income ranges are divided into low to moderate income and above median income households.

Rental Housing

Low to moderate income households between 40 percent and 100 percent of AMI can afford rents between \$708 and \$1,833 per month (**Table 19**). Current rents in Gardner, as represented by advertised rents for Horizon Trails and the Zillow median, are affordable for households earning between 60 percent and 80 percent of AMI or more (**Figure 33**).

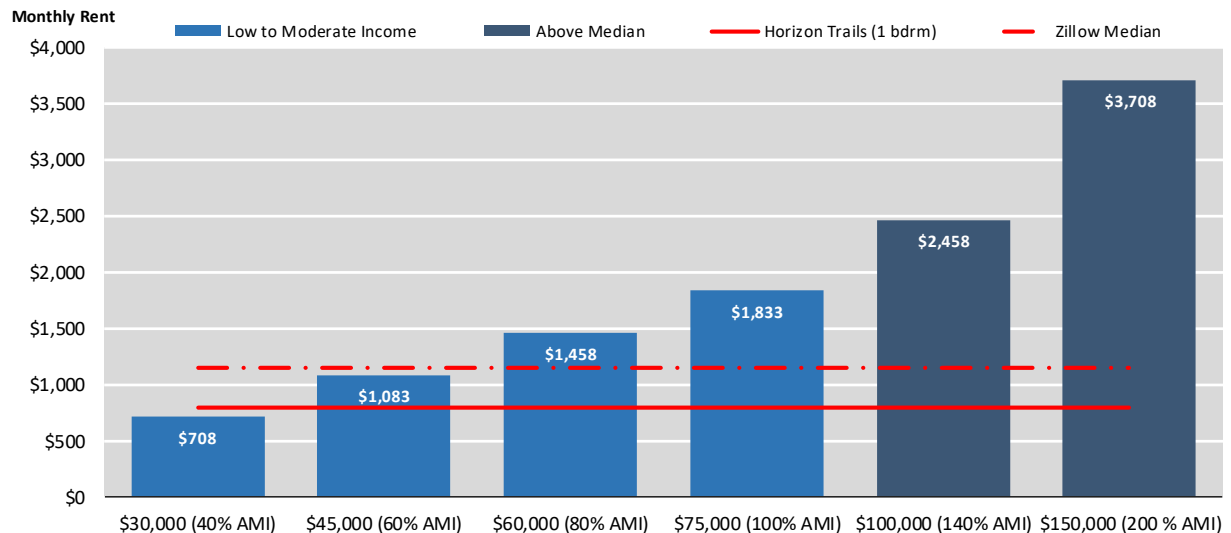
Table 19
Estimated Affordable Rents for Selected Income Levels

Description	Factors	Low to Moderate Income				Above Median	
		\$30,000	\$45,000	\$60,000	\$75,000	\$100,000	\$150,000
		40% AMI	60% AMI	80% AMI	100% AMI	140% AMI	200% AMI
Housing Payment Capacity							
Income Available for Housing per Month	30%	\$9,000	\$13,500	\$18,000	\$22,500	\$30,000	\$45,000
Less: Insurance	\$500 / Year	\$750	\$1,125	\$1,500	\$1,875	\$2,500	\$3,750
Affordable Rent		<u>-\$42</u> \$708	<u>-\$42</u> \$1,083	<u>-\$42</u> \$1,458	<u>-\$42</u> \$1,833	<u>-\$42</u> \$2,458	<u>-\$42</u> \$3,708

Source: Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Models\163138-Housing Demand Model.xls\T-Rent Affordability

Figure 33
Estimated Affordable Rents Compared to Current Rents in Gardner



Source: Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Models\163138-Housing Demand Model.xls\T-Rent Affordability

For-Sale Housing

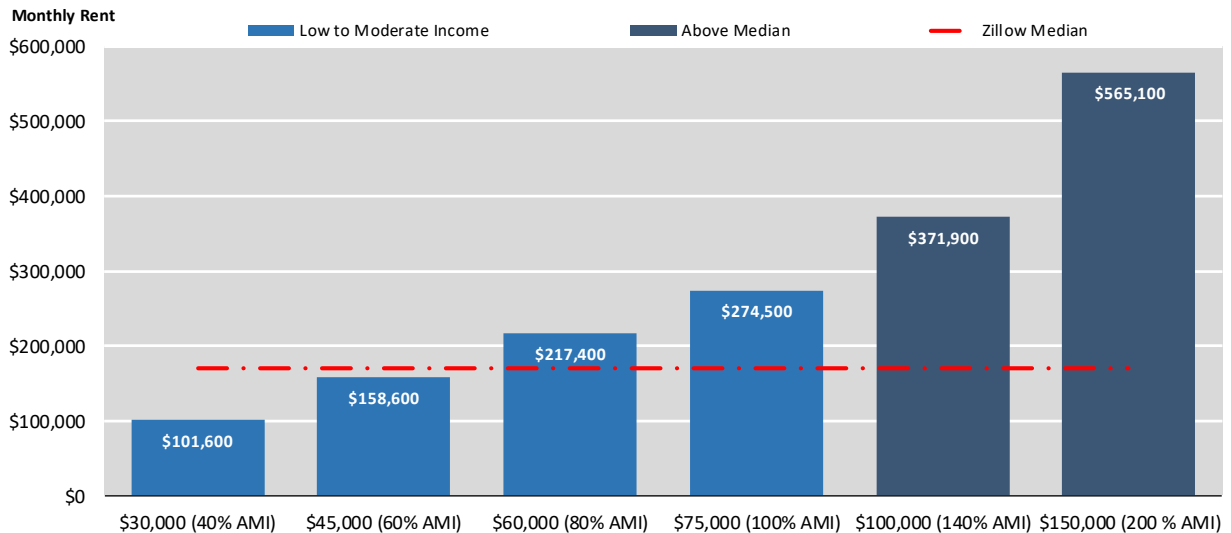
Low to moderate income households between 40 percent and 100 percent of AMI can afford home prices between \$100,000 and \$274,500 (**Table 20**). Current home prices in Gardner, as represented by the Zillow median, are affordable for households earning between 60 percent and 80 percent of AMI or more (**Figure 34**). The Zillow median is a combination of new and existing construction. New construction will likely be more expensive and potentially outside of the affordable range for low to middle income households.

Table 20
Estimated Affordable Home Prices for Selected Income Levels

Description	Factors	Low to Moderate Income				Above Median	
		\$30,000	\$45,000	\$60,000	\$75,000	\$100,000	\$150,000
		40% AMI	60% AMI	80% AMI	100% AMI	140% AMI	200% AMI
Housing Payment Capacity							
Income Available for Housing per Month	30%	\$9,000	\$13,500	\$18,000	\$22,500	\$30,000	\$45,000
Less: Insurance	\$500 / Year	-\$750	-\$1,125	-\$1,500	-\$1,875	-\$2,500	-\$3,750
Less: Property Taxes	1.0%	-\$80	-\$130	-\$170	-\$220	-\$290	-\$440
Less: HOA Dues	\$600 / Year	-\$50	-\$50	-\$50	-\$50	-\$50	-\$50
Net Available for Debt Service		\$578	\$903	\$1,238	\$1,563	\$2,118	\$3,218
Valuation Assumptions							
Loan Amount		\$96,500	\$150,700	\$206,500	\$260,800	\$353,300	\$536,800
Loan Rate	6.0% int.	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Term	30-year fixed	30	30	30	30	30	30
Down Payment	5.0% down	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Affordable Home Price		\$101,600	\$158,600	\$217,400	\$274,500	\$371,900	\$565,100

Source: Economic & Planning Systems

Figure 34
Estimated Affordable Home Prices Compared to Current Home Prices in Gardner



Source: Economic & Planning Systems

H:\163138-Gardner KS Main Street Corridor Plan\Models\163138-Housing Demand Model.xls\T-Rent Affordability

Figure 35
Recent Multi-Family Development in Gardner - Horizon Trails Apartments



Figure 36
Recent Multi-Family Development in Gardner – Nottingham Village



The images above show two multi-family developments in Gardner, KS named Horizon Trails (top) and Nottingham Village (bottom). Both developments opened in 2017 and are located at the intersection of South Gardner Road and 188th Street. The developments were fully occupied at openings, and their rents are affordable to household incomes between \$35,000 and \$60,000. These developments are potentially affordable to workers at LPKC and New Century AirCenter.

Potential Housing Types

This section provides a menu of potential infill housing options for the Main Street Corridor that is informed by results from a survey of participants in the public meeting in June 2017 as well as by real estate development broker interviews.

Townhomes

Townhomes represent one potential infill housing option for the Main Street Corridor. This housing option provides a denser alternative to single-family housing that can add activity and help define the public realm in or near a downtown setting. Townhomes have smaller footprints than, for example, apartments, and present a good infill option for the narrow lot depths found in some portions of the commercial Corridor. Density for this product generally ranges between 10 to 15 dwelling units per acre. **Figure 37** presents one example of townhome construction.

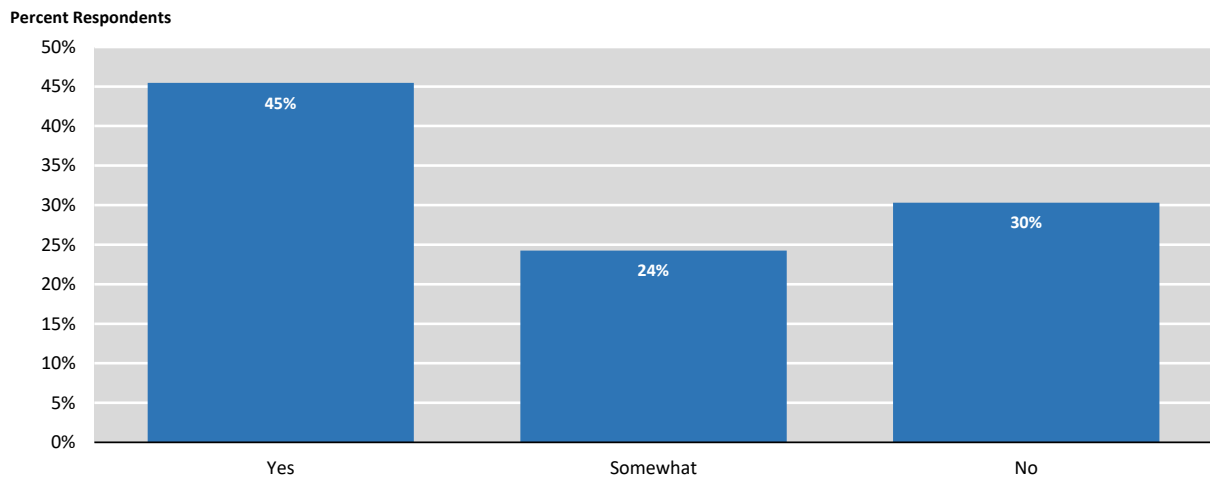
Figure 37
Townhome Example



Apartments

Apartments are a denser option than townhomes for development on the Main Street Corridor. Density for apartments generally ranges between 25 to 30 dwelling units per acre assuming surface parking. In terms of infill housing, apartments require larger parcel sizes to build the critical mass of units that represent a feasible project size. When asked if apartments would be an appropriate use for the Main Street Corridor, 45 percent of respondents answered **Yes**; 24 percent of respondents answered **Somewhat**; and 30 percent of respondents answered **No**. As documented above, there has been significant demand for apartment housing in Gardner, due in part to recent employment growth in logistics businesses, as well as tighter lending standards for mortgage financing.

Figure 38
Survey Response – Apartments on the Main Street Corridor



Source: Public Meeting 6/14/2017; Economic & Planning Systems
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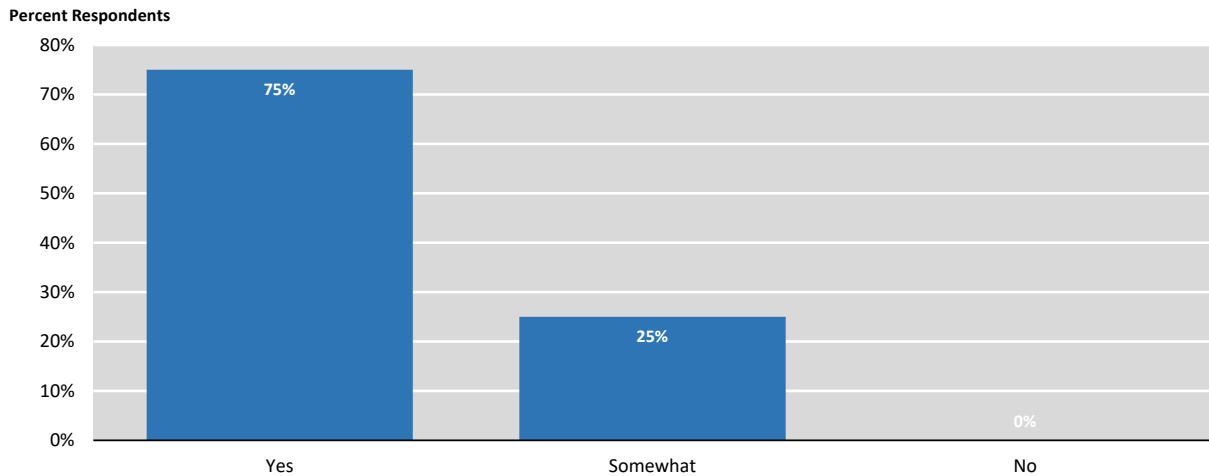
Figure 39
Apartment Example



Mixed-Use

Mixed-use residential housing has commercial uses on the ground floor and residential uses on upper stories. This type of development has a similar density to apartments, but creates a different kind of activity or vibrancy for downtown areas and commercial corridors by creating retail amenities or creating a work and housing nexus. When asked if they would like to see mixed-use use development on the Corridor, 75 percent of respondents answered **Yes**; and 25 percent of respondents answered **Somewhat**. No respondent answered **No**.

Figure 40
Survey Response – Mixed-Use on the Main Street Corridor



Source: Public Meeting 6/14/2017; Economic & Planning Systems
H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-Survey Data.xlsx\JT-Mixed Use

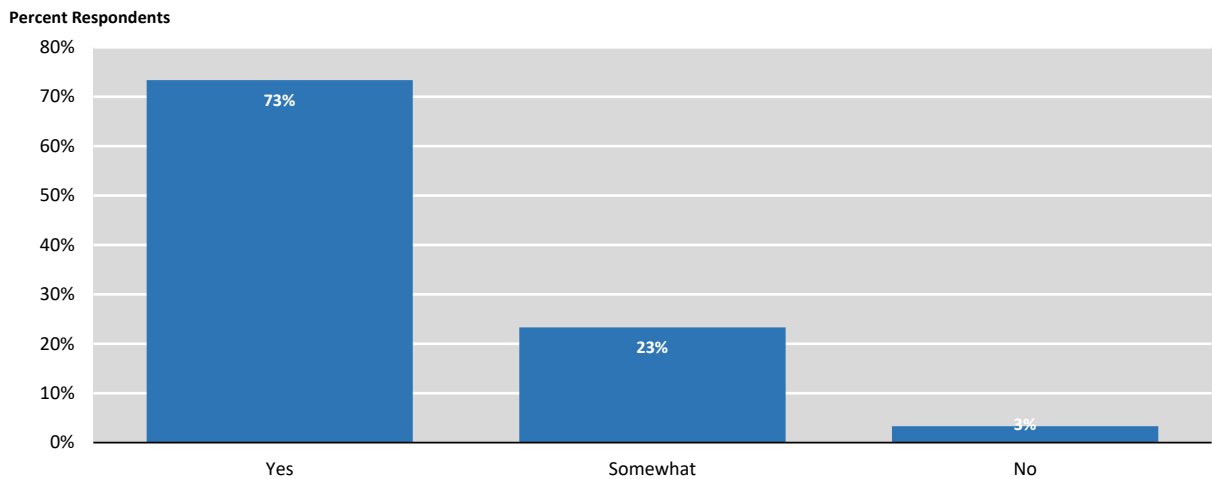
Figure 41
Mixed-Use Example



Senior Housing/Patio Homes

Patio homes are a medium-density single-family product oriented toward empty nesters or active seniors. They are typically one-story housing on small low maintenance lots that are an attractive move-down option. They are a product type that was identified as supportable in Gardner and could be feasible in the Main Street Corridor or on large infill sites. When asked if they would like to see senior housing in Gardner, 73 percent of respondents answered **Yes**; and 23 percent of respondents answered **Somewhat**; and 3 percent of respondents answered **No**.

Figure 42
Survey Response – Senior Housing on the Main Street Corridor



Source: Public Meeting 6/14/2017; Economic & Planning Systems
H:\163138-Gardner KS Main Street Corridor Plan\Data\163138-Survey Data.xlsx\T-Senior Housing

Figure 43
Patio Home Example



Broker Interviews

Brokers interviewed during project fieldwork suggested the City should target the following housing products:

Senior Housing

- Little to no existing housing for-sale product for empty-nesters and seniors.
- Given the percentage of young families in Gardner, this type of housing could be especially attractive to grandparents.
- Patio homes represent one potential housing type that allows for downsizing and accommodates senior mobility needs while allowing for independence.

Tier 2 or "Move-Up" Housing

- Gardner's growth has largely been driven by young families looking for starter homes or tier 1 housing.
- However, the market has little to no Tier 2 or "move-up" housing for these same families looking to upgrade as their incomes and families grow.

Apartments

- Tremendous demand for apartments.
- The broker interviewed noted how Horizon Trails and Nottingham Village were fully-occupied shortly after opening.

7. OPPORTUNITY SITE FEASIBILITY ANALYSIS

EPS prepared a site feasibility analysis for three opportunity sites – one in the Main Street Mixed-Use District and two others in the Downtown Core (referred to as Building A and B), as shown in **Figure 44**. The analysis was designed to: (1) provide insight into why there has been no residential development in the Main Street Corridor over the last 17 years, and (2) inform strategies to help incentivize residential development within the Corridor in the future. This section of the report first describes the methodology of the feasibility analysis, summarizes the results for each of the opportunity sites by district, and provides key policy takeaways from the analysis.

Methodology

Programs

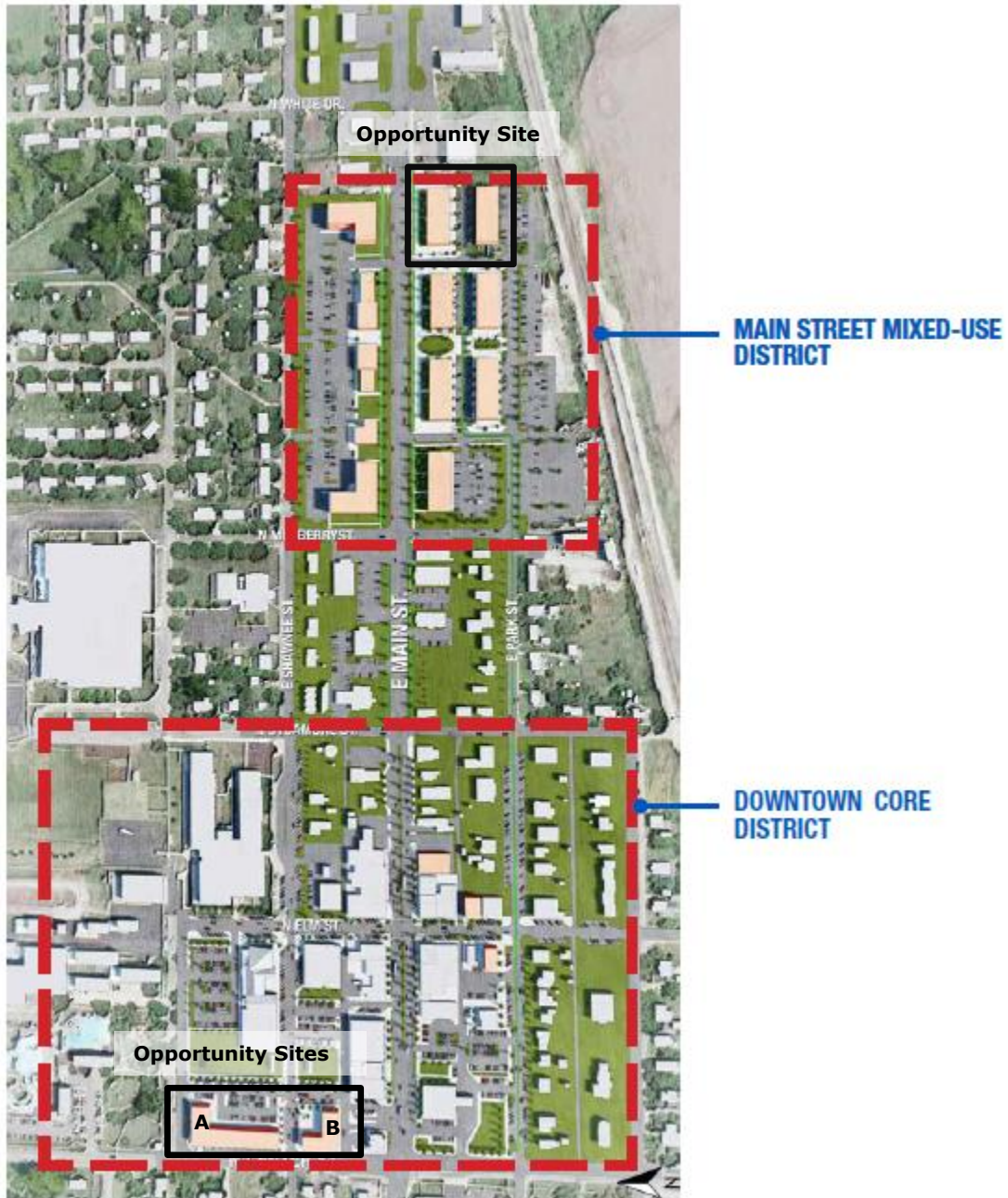
Each of the sites tests a mixed-use concept with ground floor commercial and residential on the upper stories. The site in the Mixed-Use District tests a land use concept that is primarily multi-family housing with a modest amount of commercial space on the ground floor. The sites in the Downtown Core test a more even residential and commercial mix with the thought that projects in the Downtown likely would be able to support a more substantial commercial program.

The programs for the three catalyst sites are described in more detail later in the chapter. Overall, they are meant to be specific enough to inform policy, but also generalizable enough for findings to apply in other sites and for other projects throughout the Main Street Corridor. These programs were developed working closely with the City and other members of the Confluence Team.

Feasibility Analysis

For its feasibility analysis, EPS completed static pro formas, or summary level financial snapshots for projects at a given point-in-time for each of the sites. Static pro formas are less detailed than a time series cash flow analysis, but still contain enough information to provide an initial assessment of a project's financial performance. They are frequently used by developers as a planning level analysis of potential viability. In the simplest terms, the static pro formas presented here compare the value of a project, after it has been completed and is at a "stabilized" level of occupancy, to the cost to develop it. To be profitable, the value of the development must be greater than the cost. The project concepts evaluated are income producing properties (rental residential units and commercial space). Like an annuity or a stock that pays dividends, the value of income producing real estate is the capitalized value of its income stream. The analysis results in an estimate of a project's financing gap or the difference between project value and cost. If the financing gap is positive, then values are greater than costs, and the project is potentially feasible without public financing. If the financing gap is negative, then values are less than costs, and the project is likely not feasible without additional sources of financing.

Figure 44
Opportunity Site Locations



To determine values and costs, EPS used Gardner area factors for rents, vacancy rates, construction costs, and capitalization rates. Commercial lease rates are estimated at \$15 per square foot (NNN). These rates are modestly below current average lease rates for the City, which are heavily weighted toward rates in the Moonlight area. Given the unproven nature of these types of ground floor retail in the Corridor, EPS felt that it was prudent to be conservative in the commercial lease values used in the analysis.

Land prices are not factored into the construction costs of the model. This was done primarily because there have not been many land sales in the Main Street Corridor, and, as a result, there are no good comparable sales available on which to estimate an approximate land value. Instead, the model essentially solves for land price. If gap financing is negative, then there is no money available for the land. If gap financing is positive, then the developer will be able to pay the positive amount for the land. However, even if gap financing is positive, the resulting land value may not match the market or individual owner valuations or expectation for land price. In discussions with land owners and brokers, EPS estimates land values between \$6 and \$12 per square foot in the Corridor. More detail on the cost and revenue factors used in each site analysis are summarized in the Appendix.

Opportunity Sites

Main Street Mixed-Use District

The opportunity site tested in the Main Street Mixed-Use District was conceived as a residential project with 60 apartments and an increment of first level retail commercial space fronting on Main Street. The apartments are assumed to be an average size of 750 square feet. In total, the residential portion of the project is estimated to be approximately 53,000 square feet with a building efficiency of 15 percent. The commercial component includes 10,000 square feet of first level space in the building fronting Main Street for a total project size of 63,000 square feet. Finally, the program includes 100 parking spaces – one space per dwelling unit and 4 spaces per every 1,000 square feet of retail.

The program and the results of the static pro forma analysis are summarized in **Table 21**. The value of the project is estimated to be approximately \$8.8M, and the cost of the project is estimated to be approximately \$10M. This results in a financial gap of negative \$11.2M—meaning that the project would not be able to support any land value, and would need some form of public or gap financing to be feasible. In this case, the gap results from apartment rents not supporting the cost of construction. The market rents used in this analysis were based on recent multi-family projects in Gardner, including Horizon Trails and Nottingham Village.

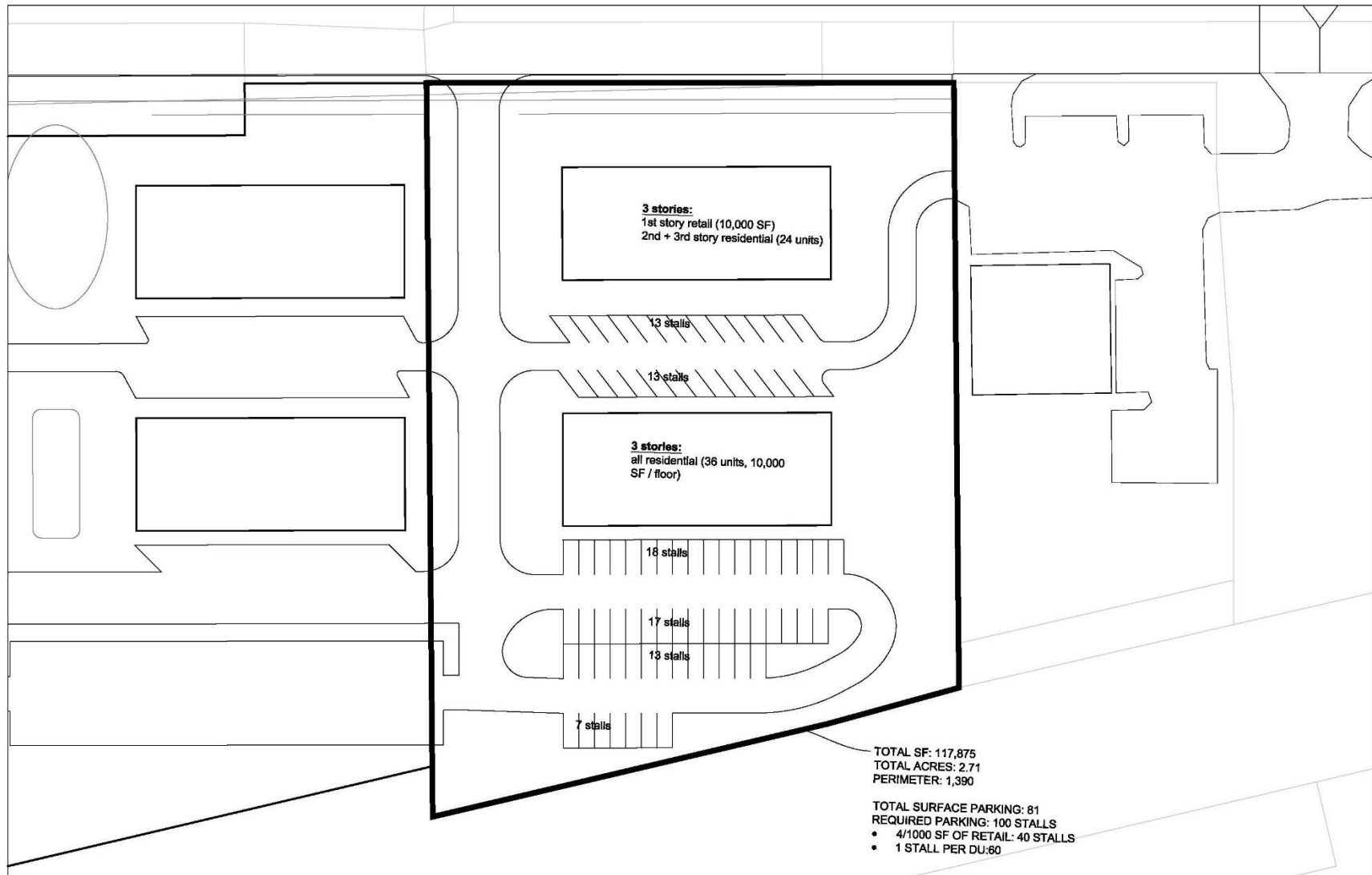
Table 21
Main Street Mixed-Use District Static Pro Forma Summary

Description	Main Street Mixed-Use Mixed-Use - Multi-family, Retail
Development Program	
Land (sq. ft.)	117,612
<u>Residential</u>	
Stories	3
Units	60
Unit Size	750 Sq. Ft.
GLA	45,000 Sq. Ft.
Residential Rent	\$1.12/SqFt
<u>Commercial</u>	
Square Footage	10,000 Sq. Ft.
Commercial Rent	\$15.00/SqFt
<u>Parking</u>	
Total Spaces	100
Revenue/Value	
Residential Development Value	\$6,703,200
Commercial Development Value	<u>\$2,079,400</u>
Total Development Value	\$8,782,600
Costs	
Site Costs	\$235,224
Hard Costs	\$8,140,588
Soft Costs	<u>\$1,628,700</u>
Total Development Costs	\$10,004,512
Gap	
Development Value	\$8,782,600
Development Cost	\$10,004,512
Financing Gap	(\$1,221,912)
Per Unit	(\$20,365)
Per Land Sq. Ft.	(\$10)

Source: Confluence; Economic & Planning Systems

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Figure 45
Main Street Mixed-Use District Site Plan



Downtown Core

The opportunity sites tested in the Downtown Core were conceived primarily as mixed-use projects with ground floor commercial and residential on the upper stories. In comparison to the opportunity site tested in the Main Street Mixed-Use District, the sites in the Downtown Core have a more balanced mix of residential and commercial, with the thought being that projects Downtown will be able to support a more substantial commercial program. The projects are summarized below as well as in **Table 22**.

- **Building A:** The conceptual project for this site includes 25 apartments on the upper stories for a total residential square footage of approximately 22,000 as well as 11,250 square feet of commercial on the ground floor. The program also includes 70 parking spaces.

The project is estimated to have a value of approximately \$5.13M and a cost of \$5.31M for a negative value of \$180,000. This financial shortfall would not support land purchase, resulting in an estimated negative land value of \$4.70.

- **Building B:** The conceptual project for this site includes 10 apartments for a total residential square footage of approximately 9,000 as well as 7,500 square feet of ground floor commercial. The program includes 40 parking spaces.

The project is estimated to have a value of \$2.67M and a cost of \$2.62M for a positive financial gap of \$50,000. This positive gap would support a land value of \$3.1 per square foot. Such a value is below the estimated land value within the Corridor of between \$6 and \$12 per square foot. As a result, Building B would also likely need additional gap financing.

Both building concepts will need additional economic development support to provide gap financing to be viable. However, the gaps for the Downtown Core concepts have slightly less financial need than the Mixed-Use District concept as a result of the former having a higher ratio of commercial in the conceptual project design. The commercial rents used in the analysis lead to higher returns, and the commercial portion in these projects ends up cross-subsidizing the residential portion. While commercial leads to a higher financial return, commercial space is also less in demand in Gardner than residential space. Moreover, ground floor commercial projects have yet to be robustly tested in the Gardner market. As a result, commercial space may take longer to lease-up in the City and may have higher vacancy, which would in turn hurt developer's returns in a way not tested in a static model.

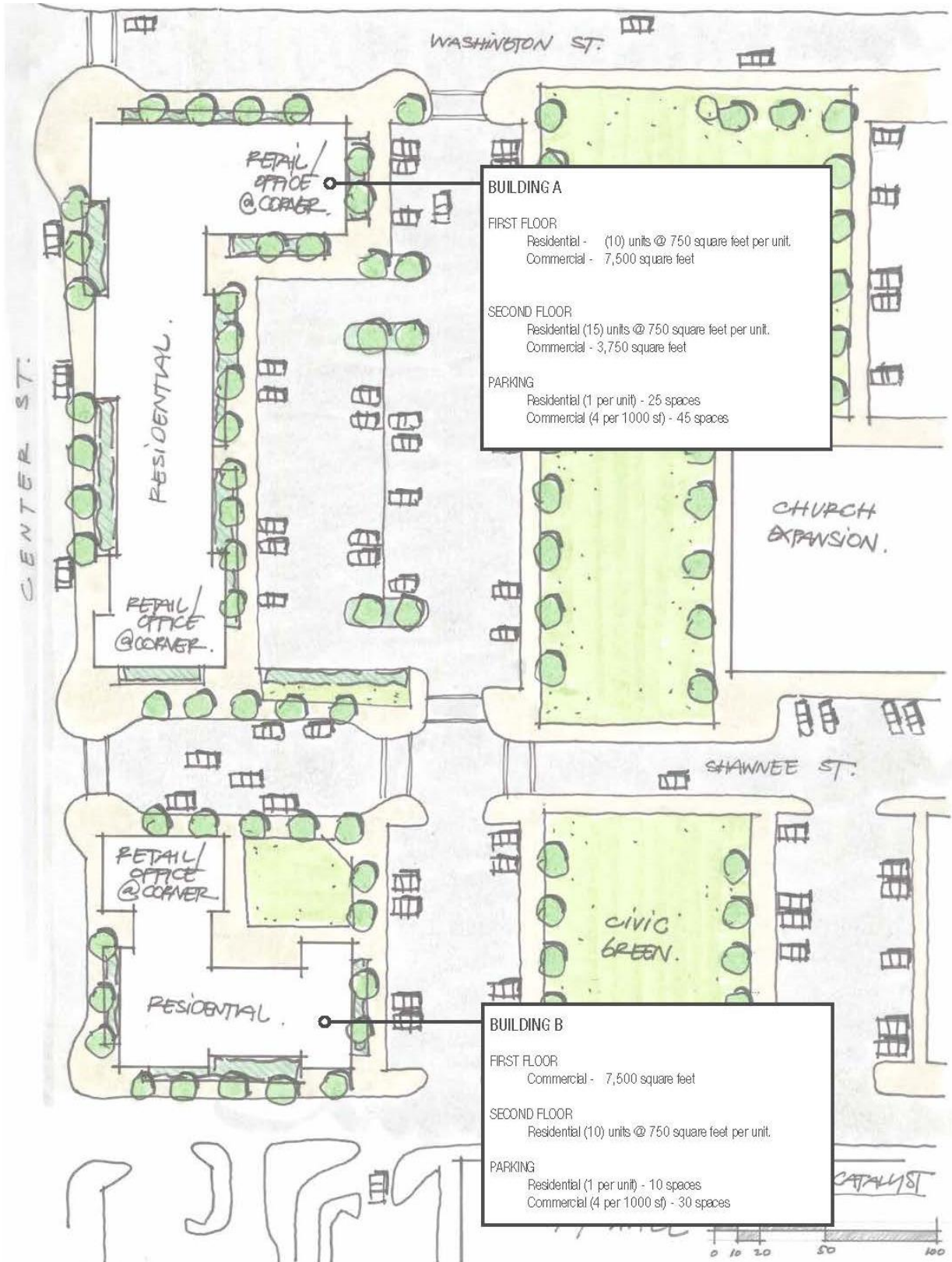
Table 22
Downtown Core Static Pro Forma Summary

Description	Downtown Core	
	Bld. A: Mixed-Use - Multi-family, Commercial	Bld. B: Mixed-Use - Multi-family, Commercial
Development Program		
Land (sq. ft.)	38,775	16,765
<u>Residential</u>		
Stories	2	2
Units	25	10
Unit Size	750 Sq. Ft.	750 Sq. Ft.
GLA	18,750 Sq. Ft.	7,500 Sq. Ft.
Residential Rent	\$1.12/SqFt	\$1.12/SqFt
<u>Commercial</u>		
Square Footage	11,250 Sq. Ft.	7,500 Sq. Ft.
Commercial Rent	\$15.00/SqFt	\$15.00/SqFt
<u>Parking</u>		
Total Spaces	70	40
Revenue/Value		
Residential Development Value	\$2,793,000	\$1,117,200
Commercial Development Value	<u>\$2,339,400</u>	<u>\$1,559,600</u>
Total Development Value	\$5,132,400	\$2,676,800
Costs		
Site Costs	\$77,550	\$33,530
Hard Costs	\$4,366,224	\$2,159,140
Soft Costs	<u>\$872,400</u>	<u>\$431,800</u>
Total Development Costs	\$5,316,174	\$2,624,470
Gap		
Development Value	\$5,132,400	\$2,676,800
Development Cost	\$5,316,174	\$2,624,470
Financing Gap	(\$183,774)	\$52,330
Per Unit	(\$7,351)	\$5,233
Per Land Sq. Ft.	(\$4.7)	\$3.1

Source: Confluence; Economic & Planning Systems

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Figure 46
Main Street Mixed-Use District Site Plan



Policy Takeaways

The primary policy takeaway of this analysis is that gap financing or subsidy will be needed for substantial residential development to occur in the Corridor. There are number of potential public financing sources that could potentially be used to close the funding gap in this project, which are summarized in the **Development Strategies** section of the final chapter. In this section, two promising sources are summarized:

- **Low Income Housing Tax Credits (LIHTC):** LIHTC financing is one promising potential source of gap financing for multi-family housing within the Corridor. Importantly, the income ranges of households showing the highest demand for renter-occupied housing fall between 50 percent and 80 percent of the U.S. Housing and Urban Development (HUD) defined area median income, and thus, these households would qualify for the program.
- **Tax Increment Financing (TIF):** TIF is another promising potential source of gap financing for projects along the Corridor. TIF financing requires the establishment of an urban renewal agency (URA) to address blighted economic conditions in a designated district. Once established, the URA uses future tax increment of projects within the district as gap financing or to subsidize other improvements within the district. In addition, URAs often have eminent domain powers, and can help assemble land for larger projects.

8. BUSINESS INVENTORY AND RETAIL GAP ANALYSIS

Business Inventory

This section summarizes the business inventory completed as part of the market analysis. The inventory combined three different data sources: CoStar, a real estate database; Chamber of Commerce business information; and field work conducted during two visits to Gardner. Locations of business are summarized in a series of maps at the end of the section. Overall, the maps strongly illustrate the importance of the Main Street Corridor and Main Street for retail and office establishments. Main Street serves as the primary commercial spine for Gardner.

Gardner Market Area

The majority of businesses in the Gardner Market Area are located within the Main Street Corridor. Out of a total of 196 establishments identified in the business inventory, 172 of them or 86 percent are located within the Corridor. This is particularly true for retail/service and office/medical establishments. While 26 of the 42 industrial businesses categorized in the business inventory are located in the Corridor, the largest industrial developments are located outside of the Corridor. In fact, due to the size of the industrial businesses outside of the Corridor, only 43 percent of rentable building area is located within the Corridor. (Locations of these industrial developments outside of the Corridor include portions of New Century AirCenter lying outside of the City.)

Table 23
Locations of Businesses in and outside of the Main Street Corridor

Description	Number of Establishments			Building Area		
	Inside Corridor #	Outside Corridor #	Total #	Inside Corridor Sq. Ft.	Outside Corridor Sq. Ft.	Total Sq. Ft.
Retail/Services						
Retail/Restaurant	56	4	60	451,343	14,931	466,274
Personal Service	26	0	26	73,818	0	73,818
Automotive Service	<u>12</u>	<u>0</u>	<u>12</u>	<u>54,529</u>	<u>0</u>	<u>54,529</u>
Subtotal	94	4	98	579,690	14,931	594,621
Office/Medical						
Office	38	3	41	119,299	25,233	144,532
Medical	<u>14</u>	<u>0</u>	<u>15</u>	<u>47,770</u>	<u>0</u>	<u>51,160</u>
Subtotal	52	3	56	167,069	25,233	195,692
Industrial	26	16	42	1,421,378	2,844,828	4,266,206
Total	172	23	196	2,168,136	2,884,992	5,056,518

Source: CoStar; Chamber of Commerce; Economic & Planning Systems

Main Street Corridor

The location of businesses within the East Gateway, Downtown, and West Gateway Subareas of the Main Street Corridor are shown in **Table 24**. By contrast, the East Gateway is primarily home to larger format retail as well as industrial development. Finally, the West Gateway has not yet established a strong retail and commercial cluster. The area is home to one retail establishment, a gas station and convenience store, as well as a number of industrial and automotive uses along the railroad track.

Table 24
Location of Businesses within the Main Street Corridor

Description	Number of Establishments			Building Area		
	West Gateway	Downtown	East Gateway	West Gateway	Downtown	East Gateway
	#	#	#	Sq. Ft.	Sq. Ft.	Sq. Ft.
Retail/Services						
Retail/Restaurant	1	38	17	4,592	194,818	251,933
Personal Service	0	16	10	0	38,554	35,264
Automotive Service	<u>1</u>	<u>9</u>	<u>2</u>	<u>5,984</u>	<u>37,481</u>	<u>11,064</u>
Subtotal	2	63	29	10,576	270,854	298,260
Office/Medical						
Office	1	30	7	6,000	71,677	41,623
Medical	<u>2</u>	<u>9</u>	<u>3</u>	<u>4,384</u>	<u>29,708</u>	<u>13,678</u>
Subtotal	3	39	10	10,384	101,385	55,300
Industrial	5	12	9	38,945	148,186	1,234,247
Total	10	114	48	59,905	520,424	1,587,808

Source: CoStar; Chamber of Commerce; Economic & Planning Systems

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Figure 47
Gardner Business Locations Relative to Main Street Corridor

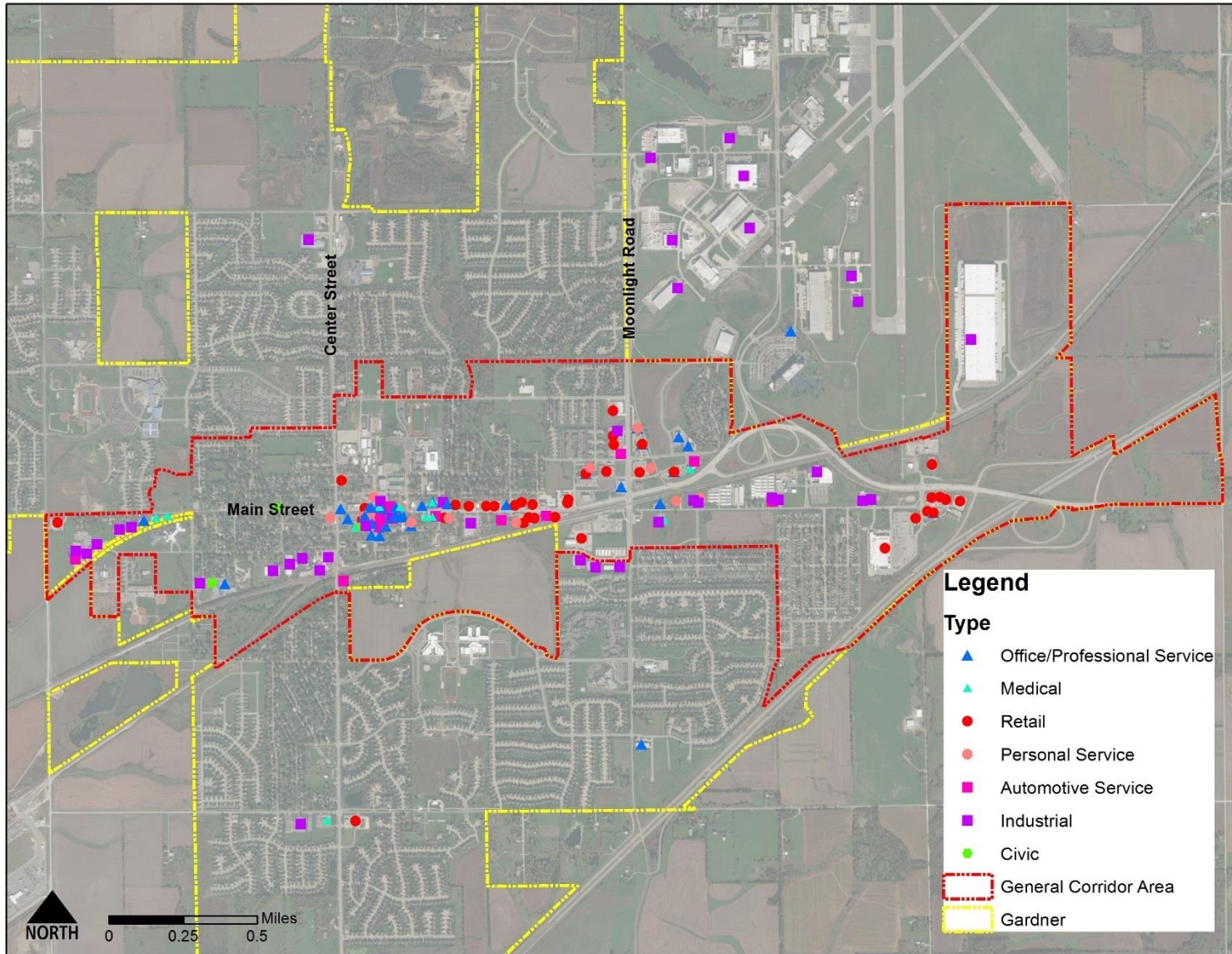


Figure 48
Gardner Retail Business Locations Relative to Main Street Corridor

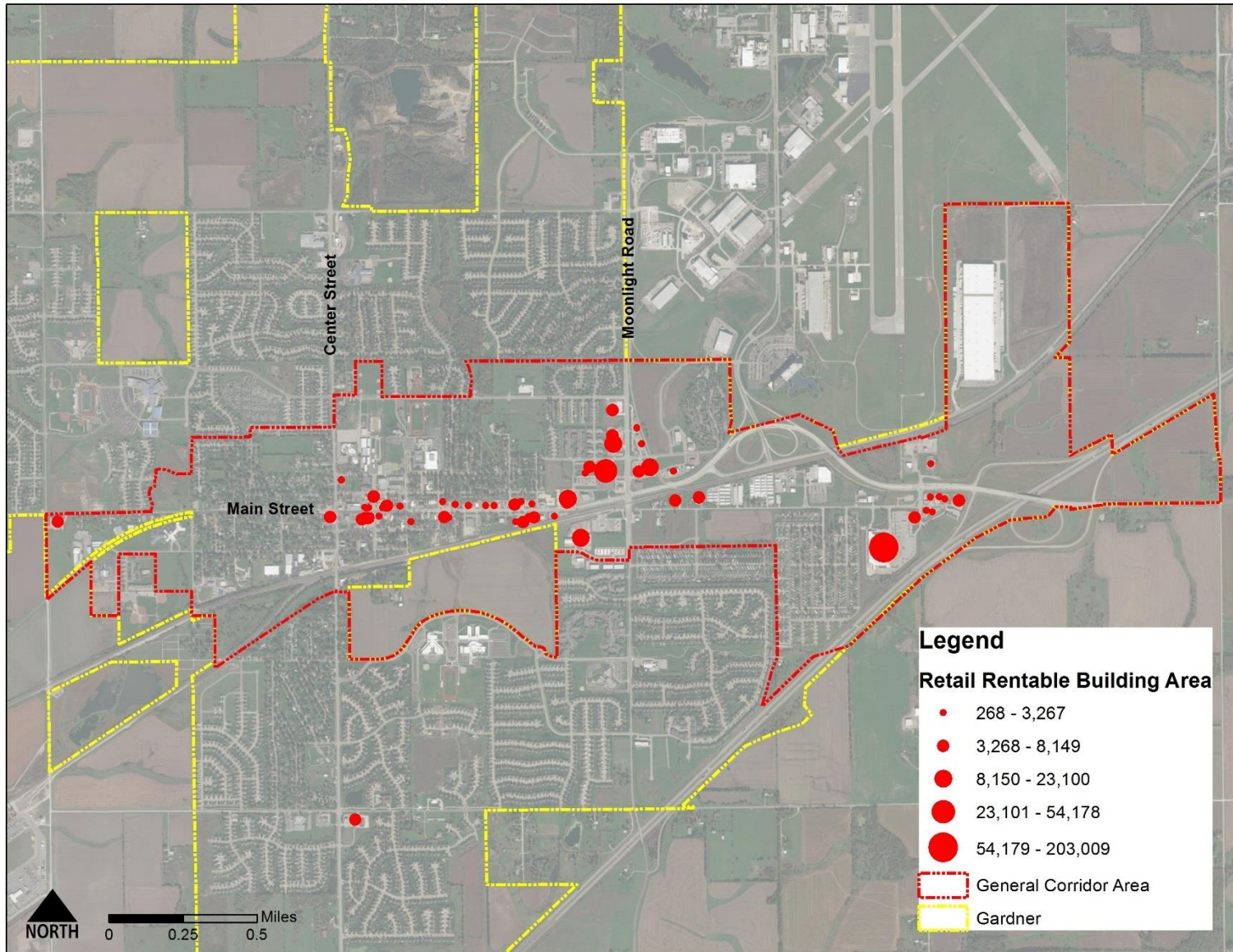


Figure 49
Gardner Office/Medical Business Locations Relative to Main Street Corridor

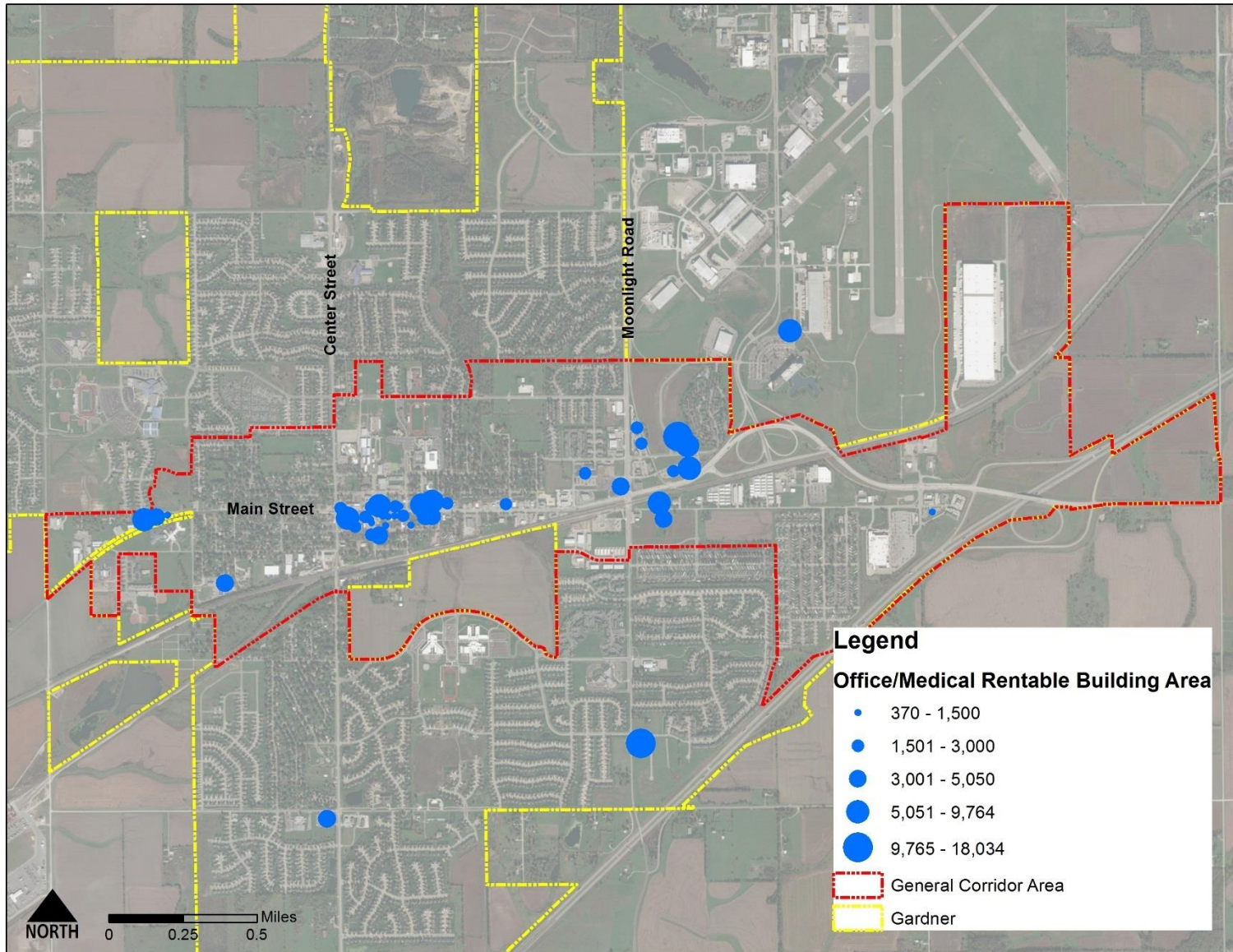
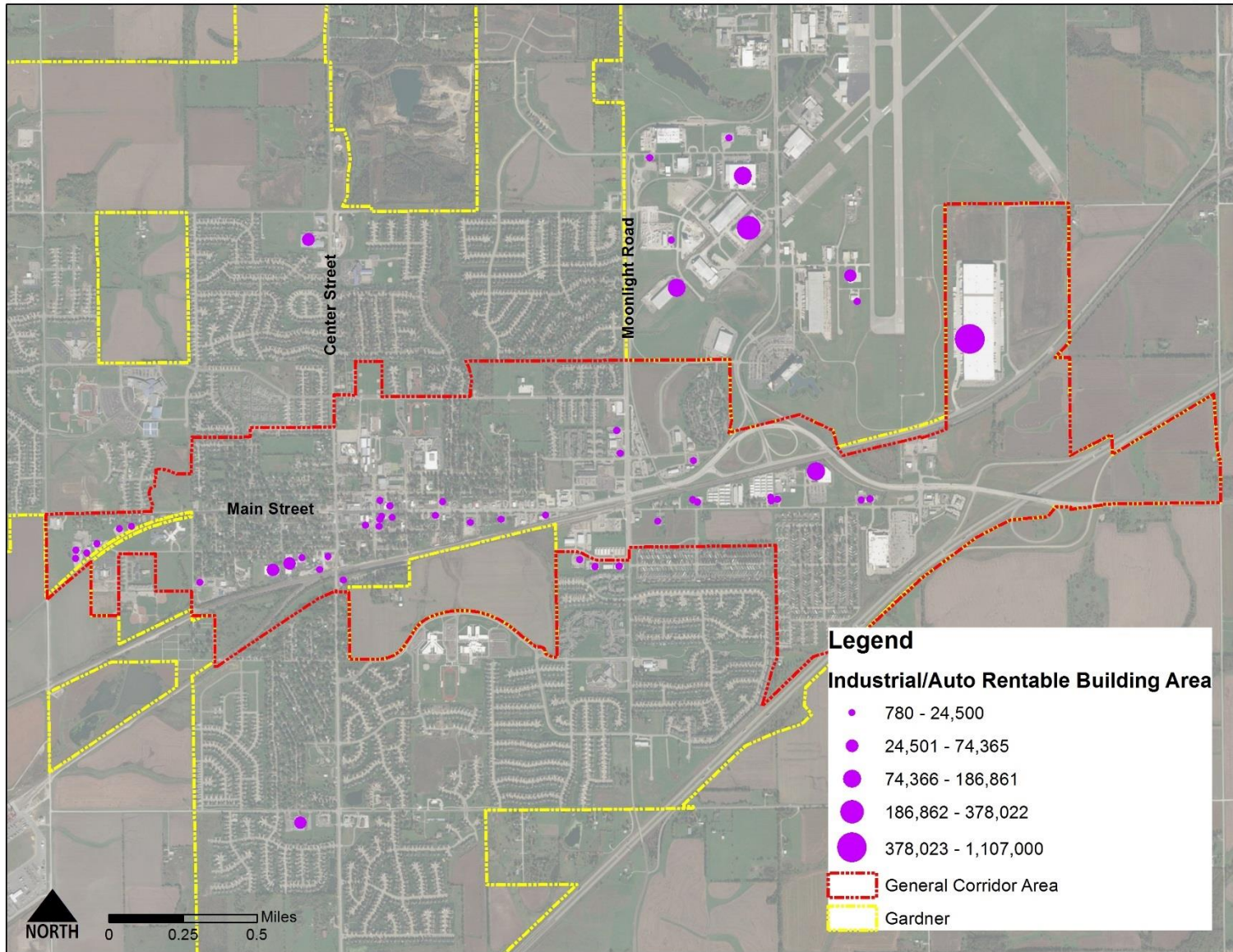


Figure 50
Gardner Industrial/Auto Business Locations Relative to Main Street Corridor



Retail Demand Analysis

The amount of retail space that a community can support is primarily a function of its population base and corresponding income levels and spending patterns. This section provides estimates of the amount of additional retail space supportable in Gardner over the next 20 years primarily based on its current income levels and forecasted population growth. The analysis also assumes that as its retail base increases, Gardner will be able to recapture a percentage of the current leakage occurring in its market.

The section divides retail land demand into three different retail formats, relevant to the Gardner market. (**Appendix A** provides more detail into land demand estimates and the division between different format types.)

- **Neighborhood Centers:** This category includes supermarket-anchored shopping centers ranging from 80,000 to 150,000 square feet containing a mix of convenience goods and personal services. Neighborhood centers typically contain a small mix of convenience-oriented ancillary retail stores such as drugstores, dry cleaning, video stores, and restaurants. This format typically requires a population of 20,000 people within a two-mile radius in an urban setting.
- **Community Centers:** This category, often anchored by a discount store or supercenter, is the modern replacement of the traditional community center featuring a supermarket and small department store. Community centers are generally 150,000 to 300,000 square feet total, including a supercenter of 100,000 square feet or greater plus ancillary retail space. Community centers generally serve a three- to five-mile trade area.
- **Downtown:** These “Main Street” districts typically contain specialty retail, entertainment, and restaurants and focus more on discretionary spending rather than everyday goods and services. Downtown retail is ‘un-anchored’ compared to the suburban retail model, but successful downtowns amass enough contiguous individual businesses so that the business district itself is the anchor. Establishing new downtown retail is challenging because it is difficult to attract a significant amount of new retail without a strong anchor. Also, the quality of an attractive Downtown setting is critical to developing successful downtown retail. Generally, a combination of land use policies, public investment and incentives, public-private development partnerships, and private sector pioneers are required to revitalize downtowns.

Supportable Retail Space and Land Demand

Future retail development in Gardner over the next 20 years is estimated to be 470,000 square feet of supportable space, equivalent to approximately 64 acres of land. Of this total development, neighborhood centers account for approximately 200,750 square feet or 27 acres; community centers account for approximately 230,550 square feet or 31 acres; and Downtown/Main Street accounts for approximately 38,700 square feet or 5 acres. Estimates of demand for specific retail stores by format type are shown in **Table 25**.

The analysis quantifies the potential opportunities for retail growth in Gardner. Based on the Gardner Comprehensive Plan, the City has over 600 acres of land targeted for retail development, including approximately 100 acres of community-focused retail and 500 acres of regionally-focused retail. The magnitude of land designated for future commercial uses in comparison to the

estimated demand of 64 acres over the next 20 years suggests that the City will need to prioritize locations for retail development. This is particularly true for the neighborhood-serving retail. Regional centers will gravitate toward the I-35 interchanges, whereas there are a number of potential locations for neighborhood-serving retail embedded within the community. The East Gateway Subarea and West Gateway Subarea of the Main Street Corridor Plan present two potential areas for the City to prioritize. Additional development in these Subareas have the opportunity to further strength the Corridor as a whole.

Downtown retail will more likely focus on food and beverage or entertainment spaces over other types of retail. Rather than national or regional chains, this type of retail will require a developer or a local entrepreneur with a vision. Private investment and street improvements may help catalyze retail in the core of the City.

Table 25
Future Retail Demand in Gardner, 2015-2035

Store Type	Neighborhood Center	Downtown	Community Center
Retail Land Demand (Sq. Ft.)			
Total Convenience Goods	86,400	14,400	43,200
Shopper's Goods			
General Merchandise	52,000	0	52,000
Other Shoppers Goods	<u>18,200</u>	<u>9,100</u>	<u>63,700</u>
Total	70,200	9,100	115,700
Eating and Drinking	30,400	15,200	30,400
Building Material & Garden	13,750	0	41,250
Total (Sq. Ft.)	200,750	38,700	230,550
Total Retail Land Demand (Acres)	27	5	31

Source: Economic & Planning Systems

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Soft Parcel Analysis

A soft parcel analysis was completed to identify those areas within the study area with conditions favorable to additional development or redevelopment. To better focus on potential catalytic sites, single-family zoned parcels were excluded from the analysis, as these parcels are typically too small to accommodate significant development. The analysis defined “soft” parcels as including vacant parcels; parcels with a land value greater than building values (suggesting that redevelopment of the land is more valuable than the current use); and parcels with low density or low intensity of use as measured by a floor-to-area ratio of less than 0.15. The completed soft parcel analysis, shown in **Figure 51**, is generally consistent with the opportunity sites identified by the City, shown in **Figure 52**.

The analysis was used to identify opportunity areas within the Corridor. The East Gateway Subarea of the Gardner Main Street Corridor Plan contains 301 acres of soft parcels, many of which are large and suitable for industrial development or large format retail. Downtown contains 220 acres of soft parcels. These parcels tend to be smaller; however, there are a number of areas with clusters of these smaller parcels. In particular, the consultant team identified a cluster of soft parcels to the east of Downtown between Mulberry St. and N. White Dr. as an opportunity site for redevelopment. Finally, the West Gateway Subarea contains 34 acres of soft parcels. Like the East Gateway Subarea, these parcels tend to be large enough to support industrial development or larger format retail stores.

Table 26
Soft Parcels by Corridor Area

Description	Vacant <i>Acres</i>	Redevelopment <i>Acres</i>	Low FAR <i>Acres</i>	Total <i>Acres</i>	% Total
East Gateway	52	249	52	301	54%
Core	31	172	48	220	40%
West Gateway	8	25	8	34	6%
Total	92	447	108	555	100%

Source: Economic & Planning Systems

Figure 51
Soft Parcel Analysis

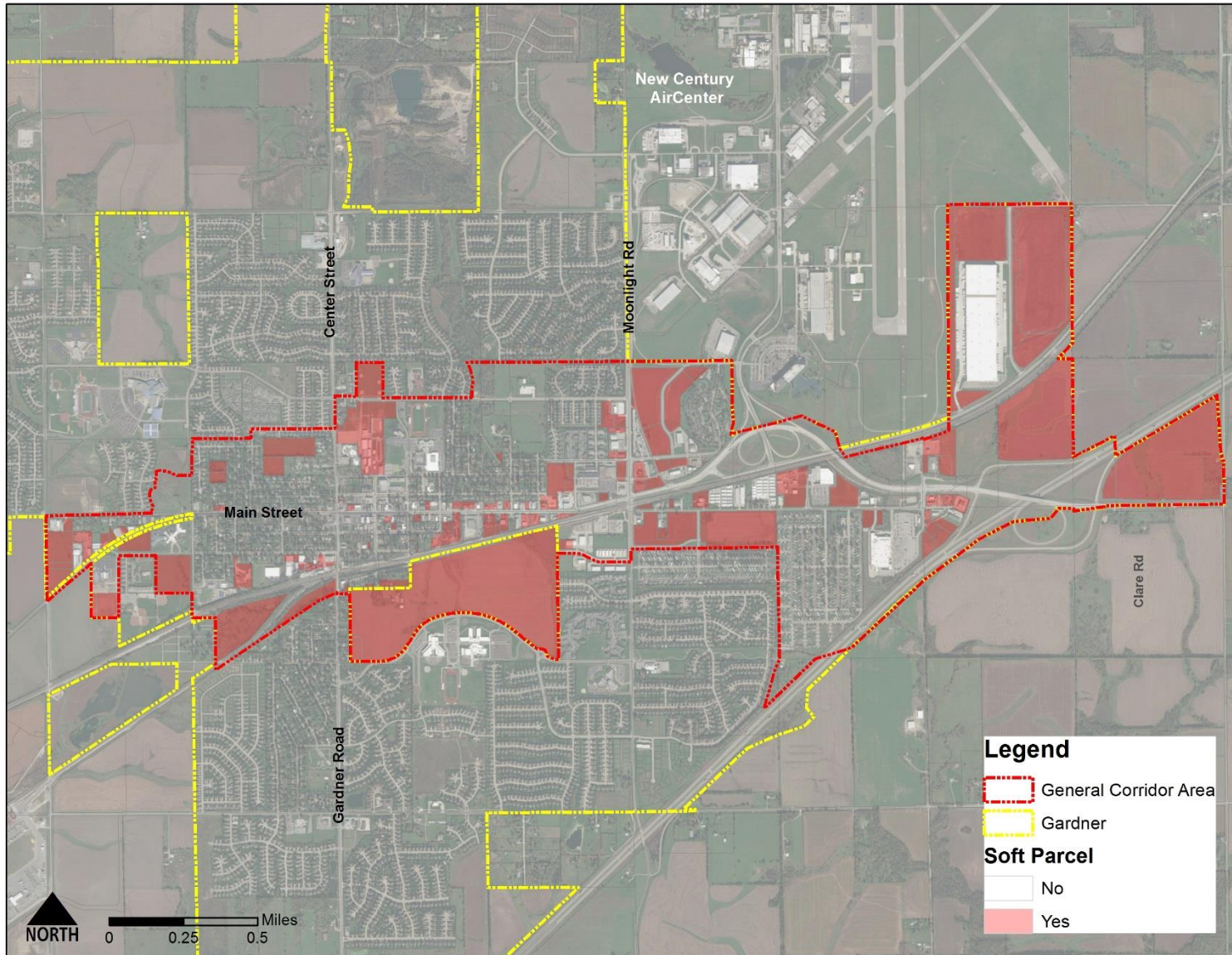
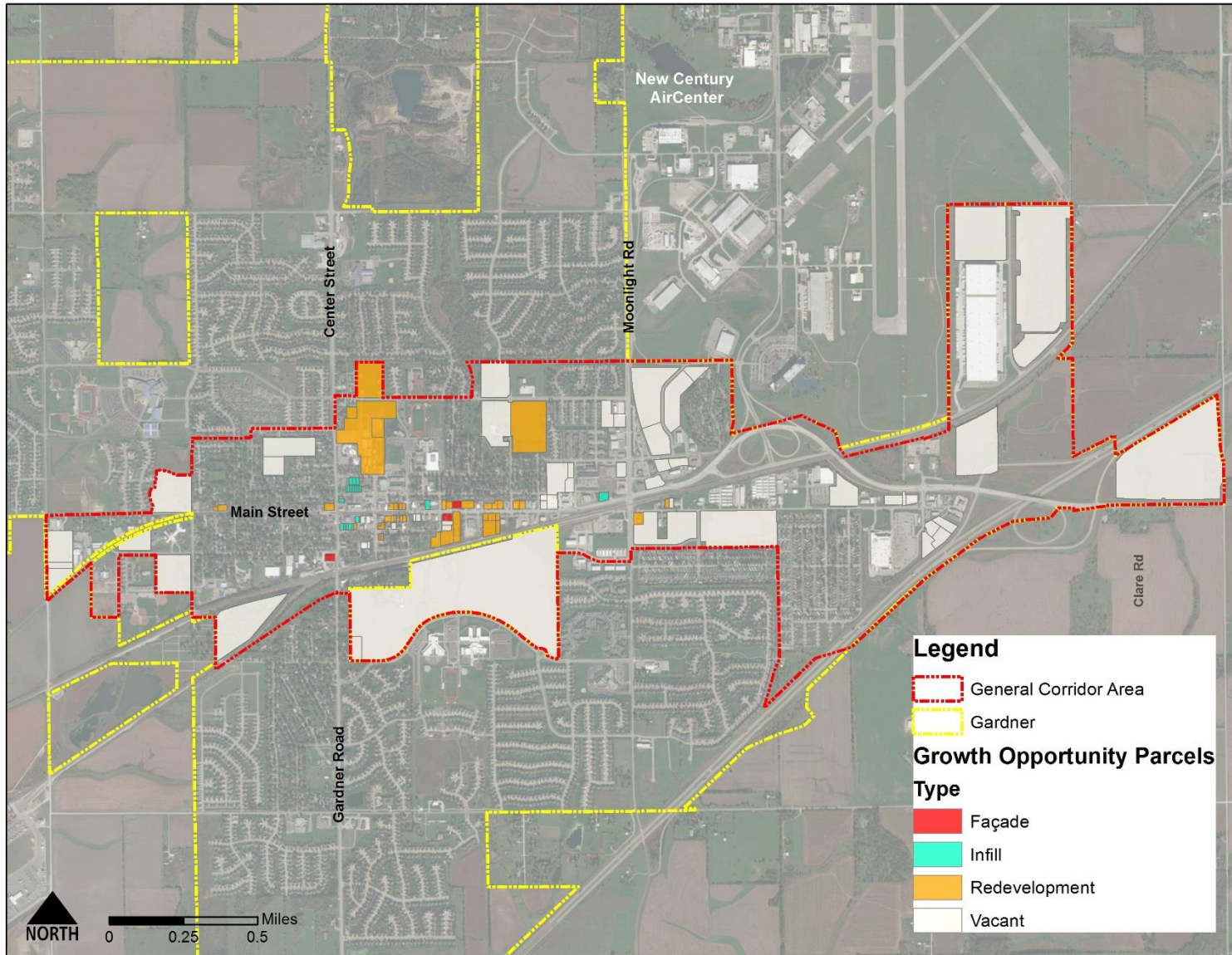


Figure 52
City of Gardner Identified Growth Opportunity Parcels



9. BUSINESS RECRUITMENT AND DEVELOPMENT STRATEGIES

This chapter identifies recommended business recruitment and development strategies that can be applied to the Gardner Main Street Corridor. Business recruitment strategies focus on specific retail businesses that would fit well in the Downtown and Gateway areas of the Corridor, while the development incentive strategies focus on sources of gap financing and matching these financing sources to specific projects.

Business Recruitment

Downtown Strategies

Downtown is the historic center of the City and the focal point for business, civic, and cultural activity. As in many other suburban and small towns, the Downtown retail sector has declined over the last 40 years as community-serving businesses have moved to planned shopping centers on the edge of the City and closer to newly developing residential areas. However, cities and towns have been able to successfully revitalize their downtowns with a mix of specialty retail, restaurant, cultural, and entertainment uses appealing to residents and visitors alike. A number of nearby communities have been successful at attracting a unique mix of local businesses and reversing this downtown decline, including Overland Park, Fort Scott, Emporia, and Atchison in Kansas, and St. Charles, Clinton, Weston, and Lees Summit in Missouri.

Gardner's Downtown has a solid foundation of existing assets to build on including pharmacies, banks, unique shops, City Hall, the County Library and other civic uses. Future opportunities for Downtown are based on complementing these existing institutions and anchors with an expanded and more vibrant mix of retail, restaurant, arts, and entertainment uses.

The success of retail in Downtown will be based on attracting a critical mass of businesses that create a "cumulative attraction". That is the point at which there are enough businesses that patrons will think about coming Downtown to comparison shop among multiple stores, or think about coming to dine out with several restaurant options to choose from. These principles describe the successful formula of regional malls and lifestyle centers. The defining difference for a downtown main street district is that it is largely built on local independent businesses rather than the national chain stores more prevalent at newer shopping centers and districts.

The retail gap analysis completed for this report estimates that Downtown Gardner can support approximately 14,400 square feet of future convenience goods, 9,100 square feet of local shopper's goods (e.g. general merchandise, apparel, furniture, appliance, and specialty goods stores), 14,400 square feet of future convenience goods (e.g. convenience, liquor, drug, and other specialty food stores), and 15,200 square feet of eating and drinking establishments over the next 20 years (**Figure 53**).

Downtown business expansion will rely on attracting local entrepreneurs willing to invest in their communities while taking on financial risk of the project. The Downtown business that most closely emulates this type of new generation business supportable in Downtown is GroundHouse Coffee. Started by a local entrepreneur, a gourmet coffee shop with an internet café is the type

of business that has wide appeal to a broad cross-section of consumer groups. Downtown should seek to attract six to eight additional food and beverage establishments over the next 20 years. A local brewpub would be another popular attraction based on the prevalence of these businesses in other historic commercial settings.

Target tenants for the Downtown business district include the following:

Food and Beverage

- Full-service sit-down restaurants
- Ethnic restaurants including Mexican, Chinese, and other Asian cuisines
- Brewpub or sports bar with large craft beer selection
- Upscale breakfast/lunch bakery and cafe

Specialty Retail

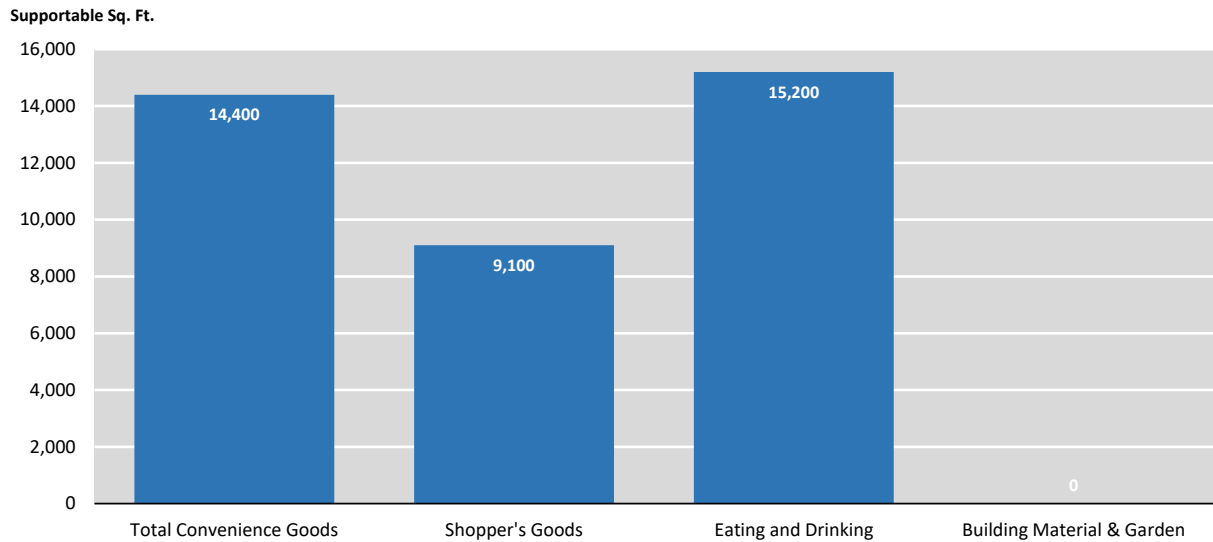
- High quality gift stores
- Arts and artisan galleries and studios
- Arts and craft stores
- Other locally owned and operated specialty retail stores

Another factor that makes the Downtown Main Street environment unique is the historic building stock. The four corners of Main and Elm Streets each have several historic buildings that collectively define the center of Downtown commercial development. Supporting property owners interested in renovating these buildings into more updated commercial space, or supporting their acquisition by motivated developers, can help attract some of the desired businesses to the Downtown area.

Attracting additional mixed-used development can also help add new commercial inventory to Downtown. Mixed-use development also diversifies project risk between multiple asset classes—for example, commercial and residential uses can help make commercial development more feasible.

However, perhaps the biggest impact that the City can have is through investments in the public realm like those proposed in the Gardner Main Street Corridor Plan. Creation of park amenities, addition of traffic calming measures, and streetscape improvements will both improve Downtown's quality and walkability, and also make this area more attractive for private development.

Figure 53
Estimated Supportable Square Feet of Downtown Retail, 2015-2035



Source: Economic & Planning Systems

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The recommended Downtown business recruitment and development strategies are as follows:

- Provide business assistance to local entrepreneurs interested in locating Downtown.
- Attract new restaurant businesses to the Downtown area with modern innovative business models including farm to table/local food, microbreweries, and ethnic cuisines.
- A broader range of choices and better-quality offerings are needed to support an arts and cultural cluster and broader tourism and business attraction opportunities.
- Provide economic development assistance to property owners and developers willing to invest in building renovations or the construction of new mixed-use buildings in the Downtown core.
- Invest in streetscape improvements in the defined Downtown commercial core to support the desired pedestrian-oriented commercial district. This can include new sidewalks, bulb-outs at crosswalks, pedestrian scale lighting, benches, street trees and planters, and space for sidewalk cafes.

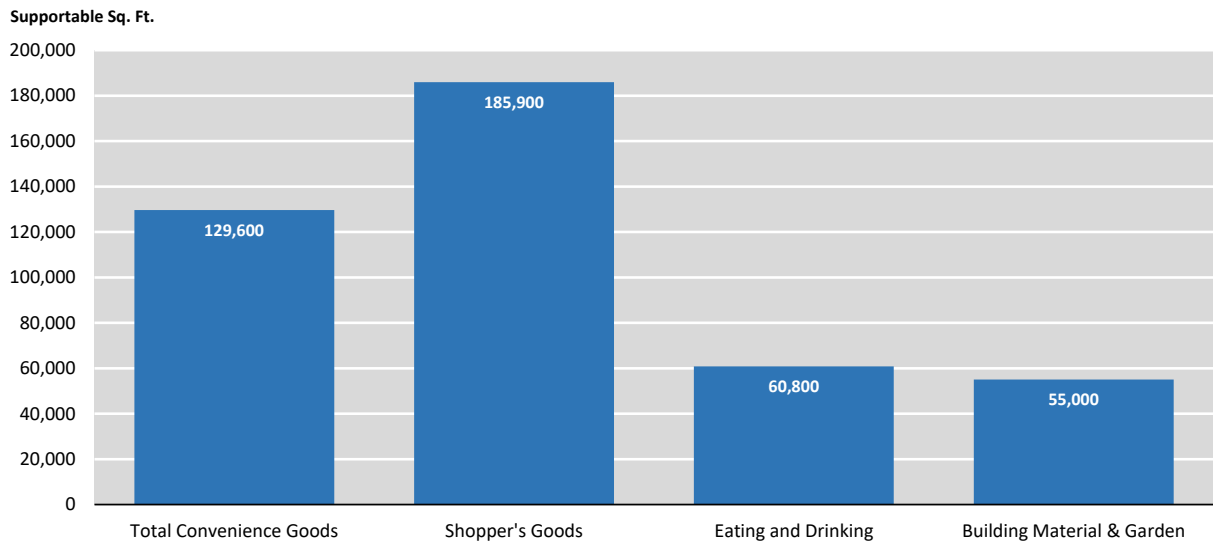
Gateway Strategies

The East Gateway Subarea centered on the intersection of Main Street and Moonlight is the primary community shopping district within the City. It contains the largest concentration of convenience-oriented retail stores in the City including a supermarket, drug store, fast food and sit-down restaurants, and ancillary retail uses in several planned shopping centers. To the east of this node is the more regionally-oriented retail node surrounding the Interstate 35 interchange including the Walmart Supercenter and nearby fast food and hotel uses.

The West Gateway Subarea located at W. Santa Fe Street and Waverly Road is largely undeveloped. There is currently a convenience store/gas station and smaller auto-oriented uses. Over the next 20 years, as the number of households in Gardner increases, the City will be able to support additional community-oriented retail, a portion of which should be located at these defined gateways.

Gardner will continue to have additional opportunities for new retailers as it grows and reaches critical population levels that are sought by national retailers seeking new store locations. The retail gap analysis estimates that Gardner as a whole will be able to support approximately 55,000 square feet of building material and garden goods, 61,000 square feet of eating and drinking retail space, 130,000 square feet of future convenience goods, and 186,000 square feet of shoppers' goods (**Figure 54**).

Figure 54
Estimated Supportable Sq. Ft. of Community Centers, 2015-2035



Source: Economic & Planning Systems
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Both Gateways will have an opportunity to add additional space based on increased household demand. In the near future, the East Gateway Subarea presents the best opportunity for additional retail development as it is an established retail cluster and well-located at the entrance to the City. Based on the retail gap analysis, along with conversations with the development community, opportunities for this area include a new grocery store, natural foods grocer, and additional convenience-oriented retail and service uses. The Gardner market is not large enough to attract the mid box mass merchandisers that dominate the apparel, home furnishings, and specialty goods store categories. The City should be able to attract one or more of the rapidly expanding quick casual restaurants chains that are a step up in quality from fast food restaurants but are still limited service and moderately priced. Target tenants for the East Gateway Subarea commercial area include:

Food and Beverage

- Quick serve restaurants (e.g., Chipotle Mexican Grill, Noodles & Company, Tokyo Joe's, Panera Bread, Einstein Bagels, Potbelly Sandwich Works, Garbanzo Mediterranean Grill, Smashburger, and Mad Greens)
- Brewpub or Distillery
- Upscale breakfast/lunch restaurant

Retail and Service

- New or expanded full line supermarket
- Natural foods grocer (e.g., Sprouts, Natural Grocers)
- Office supply store (Office Depot, Staples)
- Sporting goods (Big 5 or local)
- Apparel and gift stores
- Hair salons and spas
- Fitness studios

The West Gateway Subarea is largely undeveloped but there is some interest by a national supermarket chain for a grocery store at this location. Opportunities in the West Gateway Subarea will increase as the City continues to develop and grow surrounding this area. Target tenants for West Gateway commercial area include:

- Full line supermarket
- Convenience store/gas station
- Superdrug
- Ancillary commercial uses

It will also be important to encourage and support investments in existing commercial space. A number of the existing shopping centers in the East Gateway Subarea are older and may be challenged by competition from newer centers if and when the current anchor tenants leave. For instance, there has been some interest by Price Chopper in a new expanded store. Should it move to a new location, the empty box could endanger the viability of the larger shopping center if it cannot be re-tenanted in a timely manner.

The continued growth of the retail sector is important to the City both from the perspective of serving the community and also as an important sales tax generator. The Main Street gateways will continue to be an important location. Retail development in these areas will primarily be driven by national and regional chains actively pursuing opportunities. The following business recruitment strategies apply to the City as a whole with a focus on the East and West Gateway Subareas:

- Work with the Chamber of Commerce to develop retail recruitment profile brochures targeted at identified retailer targets including data on community population, households, and income demographics within specific trade areas.
- Work with the Chamber of Commerce to develop and maintain a database of available sites and buildings for lease.
- Develop a funding and financing assistance toolkit for retail business startups and expansions.

Development Strategies

The City can also help promote development by facilitating access to capital through an array of local, state, and federal financing sources. Examples of local, state, and federal financing sources are listed below. Local sources tend to involve setting up districts that raise revenues to finance the development of public infrastructure or specific uses through, for example, the allocation of dedicated sales or property tax. Many financing sources focus on providing benefits to low and moderate-income communities, removal of blight conditions that present health and safety issues to the community, and the promotion of small businesses.

The City has identified many of these incentives in *Economic Development Incentive Policy* report (February 2016). As a next step, the City should consider matching financing tools to specific opportunity sites and project concepts presented within the Gardner Main Street Corridor Plan. For example, a TIF District could be matched to the Main Street Mixed-Use Subarea. The area would meet blight conditions required by statute to establish a TIF, and the tax increment revenues could be allocated to help finance public improvements for the district. Additional public or gap financing could be attached to specific projects. For example, LIHTC funding could help finance infill development projects within this area, while improving the quality of some of the affordable housing in the City.

- **Local**
 - Tax Increment Financing (TIF)
 - Sales Tax Revenues (STAR) Bonds
 - Community Improvement District (CID)
 - Transportation Development Districts (TDD)
 - Business Improvement District (BID)
 - Special Benefit District
 - Neighborhood Revitalization Area (NRA)
 - Public Infrastructure Financing Program (PIFP)
- **State**
 - Commercial Rehabilitation
 - Kansas Downtown Redevelopment Act
 - Heritage Trust Fund
- **Federal**
 - Community Development Block Grants (CDBG)
 - SBA 504 Mortgage Loan Program
 - New Markets Tax Credits (NMTC)
 - Low-Income Housing Tax Credits (LIHTC)



**Appendix A:
Detailed Retail Land Demand Estimate**

Table 27
Land Demand Estimates by Retail Format

Store Type	% of Space by Retail Format			2015-2025			2025-2035		
	Community Center	Downtown	Regional Center	Community Center	Downtown	Regional Center	Community Center	Downtown	Regional Center
	Total Convenience Goods	60%	10%	30%	40,800	6,800	20,400	45,600	7,600
Shopper's Goods									
General Merchandise	50%	0%	50%	24,500	0	24,500	27,500	0	27,500
Other Shoppers Goods	20%	10%	70%	8,600	4,300	30,100	9,600	4,800	33,600
Total Shopper's Goods				33,100	4,300	54,600	37,100	4,800	61,100
Eating and Drinking	40%	20%	40%	14,400	7,200	14,400	16,000	8,000	16,000
Building Material & Garden	25%	0%	75%	6,500	0	19,500	7,250	0	21,750
Total Retail Goods Space (Sq. Ft.)				94,800	18,300	108,900	105,950	20,400	121,650
Commercial Average Sq. Ft. per Acre				7,344	7,344	7,344	7,344	7,344	7,344
Total Retail Land Demand (Acres)				13	2	15	14	3	17
Total Commercial Land Demand (+35%) ¹				17	3	20	19	4	22
Total Land Demand (+50%) ²				30	5	30	30	6	30

¹ 35% increase to account for general commercial, automobile, and service uses that locate in retail space

² 50% increase to allow for changes in retail and to accommodate planning flexibility

Source: Economic & Planning Systems

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Appendix B: Detailed Feasibility Analysis

Main Street Mixed-Use District

**Table 28
 Main Street Mixed-Use District Revenue Estimate**

Description	Main Street Mixed-Used Mixed-Use - Multi-Family, Retail
Rental Revenue	
<u>Residential</u>	45,000 Sq. Ft.
Monthly Rent per Sq. Ft.	\$1.12/SqFt
Annual Rent per Sq. Ft.	\$13.44/SqFt
Gross Annual Rental Income (GPI)	\$604,800
<i>Less: Vacancy/Credit Loss</i>	5.0%
Effective Gross Income (EGI)	\$574,560
<i>Operating Expense (30% Gross Income)</i>	(\$172,368)
Net Operating Income (NOI)	\$402,192
<i>% of GPI</i>	67%
Capitalization Rate	6.00%
Residential Development Value	\$6,703,200
Per Sq. Ft.	\$127
Per Unit	\$111,720
<u>Commercial</u>	10,000 Sq. Ft.
Annual Rent per Sq. Ft. (NNN)	\$15.00/SqFt
Gross Annual Rental Income	\$150,000
<i>Less: Vacancy/Credit Loss</i>	5.0%
Effective Annual Rental Income	\$142,500
<i>Less: Operating Expenses ¹</i>	1.5%
Net Operating Income	\$140,363
Capitalization Rate	6.75%
Commercial Development Value	\$2,079,400
Per Sq. Ft.	\$208
Total Development Value	\$8,782,600
Per Sq. Ft.	\$140
Per Unit	\$146,377

¹ Assumes triple net (NNN) lease. 1.5% assumed for management expenses.

Source: Confluence; Economic & Planning Systems

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Table 29
Main Street Mixed-Use District Cost Estimate

Description	Factor	Main Street Mixed-Used
		Mixed-Use - Multi-Family, Retail
Program		
Parcel Size		117,612
Units		60
Residential GLA (Sq. Ft.)		45,000
Residential Gross Building (Sq. Ft.)		52,941
Commercial (Sq. Ft.)		10,000
Total Building (Sq. Ft.)		62,941
Stories		3
Site Costs		
Land	\$0	\$0
Site Work	\$2 /Ft	<u>\$235,224</u>
Total Site Costs		\$235,224
Hard Costs		
Building Costs		
Residential	\$120	\$6,352,941
Commercial	\$125	<u>\$1,250,000</u>
Subtotal		\$7,602,941
Parking		
Surface Parking	\$1,500 /Space	\$150,000
Podium Parking	\$12,000 /Space	\$0
Subtotal		\$150,000
Contingency	5% of BC	\$387,647
Total Hard Costs		\$8,140,588
Total Hard Cost / Sq. Ft.		\$129
Soft Costs		
Architectural & Engineering (A&E)	5.00% of HC	\$407,000
Developer Fee/Overhead	3.50% of HC	\$284,900
Fees and entitlement costs	2.00% of HC	\$162,800
Financing	5.00% of HC	\$407,000
Legal	2.00% of HC	\$163,000
Misc. Soft Costs	2.50% of HC	<u>\$204,000</u>
Total Soft Costs		\$1,628,700
Percent of Hard Costs		20%
Total Soft Cost / Sq. Ft.		\$26
Total Development Costs		\$10,004,512
Total Development Cost / Sq. Ft.		\$159
Total Development Cost / Unit		\$166,742

Source: Confluence; Economic & Planning Systems

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Downtown Core

**Table 30
 Downtown Core Revenue Estimate**

Description	Downtown Core	
	Bld. A: Mixed-Use - Multi-Family, Commercial	Bld. B: Mixed-Use - Multi-Family, Commercial
Rental Revenue		
<u>Residential</u>	18,750 Sq. Ft.	7,500 Sq. Ft.
Monthly Rent per Sq. Ft.	\$1.12/SqFt	\$1.12/SqFt
Annual Rent per Sq. Ft.	\$13.44/SqFt	\$13.44/SqFt
Gross Annual Rental Income (GPI)	\$252,000	\$100,800
<i>Less: Vacancy/Credit Loss</i>	5.0%	5.0%
Effective Gross Income (EGI)	\$239,400	\$95,760
<i>Operating Expense (30% EGI)</i>	-\$71,820	-\$28,728
Net Operating Income (NOI)	\$167,580	\$67,032
<i>% of GPI</i>	67%	67%
Capitalization Rate	6.00%	6.00%
Residential Development Value	\$2,793,000	\$1,117,200
Per Sq. Ft.	\$127	\$127
Per Unit	\$111,720	\$111,720
<u>Commercial</u>	11,250 Sq. Ft.	7,500 Sq. Ft.
Annual Rent per Sq. Ft. (NNN)	\$15.00/SqFt	\$15.00/SqFt
Gross Annual Rental Income	\$168,750	\$112,500
<i>Less: Vacancy/Credit Loss</i>	5.0%	5.0%
Effective Annual Rental Income	\$160,313	\$106,875
<i>Less: Operating Expenses ¹</i>	1.5%	1.5%
Net Operating Income	\$157,908	\$105,272
Capitalization Rate	6.75%	6.75%
Commercial Development Value	\$2,339,400	\$1,559,600
Per Sq. Ft.	\$208	\$208
Total Development Value	\$5,132,400	\$2,676,800
Per Sq. Ft.	\$154	\$164
Per Unit	\$205,296	\$267,680

¹ Assumes triple net (NNN) lease. 1.5% assumed for management expenses.

Source: Confluence; Economic & Planning Systems

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**Table 31
 Downtown Core Cost Estimate**

Description	Factor	Downtown Core	
		Bld. A: Mixed-Use - Multi-Family, Commercial	Bld. B: Mixed-Use - Multi-Family, Commercial
Program			
Parcel Size		38,775	16,765
Units		25	10
GLA (Sq. Ft.)		18,750	7,500
Residential Gross Building (Sq. Ft.)		22,059	8,824
Commercial (Sq. Ft.)		11,250	7,500
Total Building (Sq. Ft.)		33,309	16,324
Stories		2	2
Site Costs			
Land	\$0	\$0	\$0
Site Work	\$2 /Ft	\$77,550	\$33,530
Total Site Costs		\$77,550	\$33,530
Hard Costs			
Building Costs			
Residential	\$120/SqFt	\$2,647,059	\$1,058,824
Commercial	\$125/SqFt	\$1,406,250	\$937,500
Subtotal		\$4,053,309	\$1,996,324
Parking			
Surface Parking	\$1,500 /Space	\$105,000	\$60,000
Podium Parking	\$12,000 /Space	\$0	\$0
Subtotal		\$105,000	\$60,000
Contingency	5% of BC	\$207,915	\$102,816
Total Hard Costs		\$4,366,224	\$2,159,140
Total Hard Cost / Sq. Ft.		\$131	\$132
Soft Costs			
Architectural & Engineering (A&E)	5.00% of HC	\$218,300	\$108,000
Developer Fee/Overhead	3.50% of HC	\$152,800	\$75,600
Fees and entitlement costs	2.00% of HC	\$87,300	\$43,200
Financing	5.00% of HC	\$218,000	\$108,000
Legal	2.00% of HC	\$87,000	\$43,000
Misc. Soft Costs	2.50% of HC	\$109,000	\$54,000
Total Soft Costs		\$872,400	\$431,800
Percent of Hard Costs		20%	20%
Total Soft Cost / Sq. Ft.		\$26	\$26
Total Development Costs		\$5,316,174	\$2,624,470
Total Development Cost / Sq. Ft.		\$160	\$161
Total Development Cost / Unit		\$212,647	\$262,447

Source: Confluence; Economic & Planning Systems

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