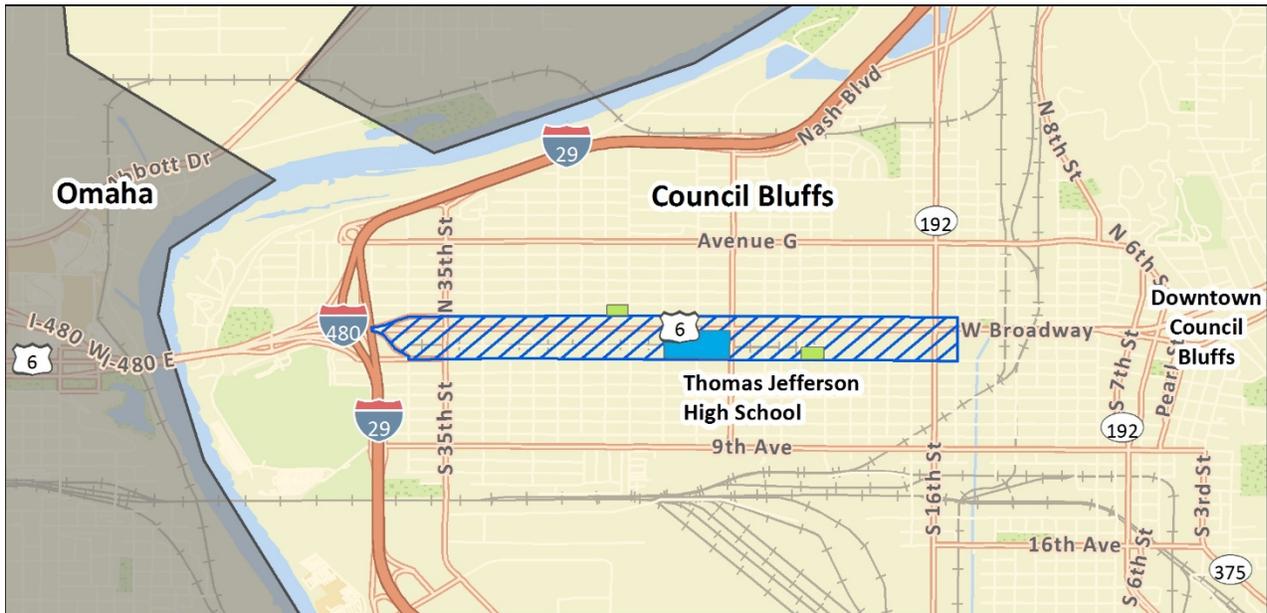


City of Council Bluffs, Iowa

West Broadway Corridor Real Estate Market Analysis

July 30, 2015



VISION | ECONOMICS | STRATEGY | FINANCE | IMPLEMENTATION

City of Council Bluffs, Iowa
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1. Executive Summary

The City of Council Bluffs, Iowa (the “City”) has engaged a team (the “Consultant Team”) led by Urban Design Associates and including HDR, Inc. and *SB Friedman Development Advisors (“SB Friedman”)* to develop the West Broadway Corridor Redevelopment Plan. To inform the development of the Plan, *SB Friedman* has performed a real estate market analysis for various uses in the West Broadway Corridor Study Area (“the Study Area”). This section identifies the competitive supply and context for market-driven residential, retail, hotel and office uses within the Study Area and outlines potential development opportunities. To arrive at our recommendations, we performed the following work steps:

- Evaluated existing conditions within the Study Area;
- Assessed competitive supply, including planned projects, for residential, retail, hotel and office development within the relevant market areas;
- Evaluated demand for these uses;
- Considered the potential impacts of catalytic infrastructure improvements within the Study Area; and
- Identified potential development opportunities, including product types and scale.

Competitive Supply and Planned Projects

The competitive supply and development context for each of the four product categories/uses are summarized below. Our findings include the following:

RESIDENTIAL

Single-family housing for sale around the Study Area is primarily composed of smaller detached houses; there are no condominium or townhouse developments in this area. Housing prices in the immediate area are generally lower than those in other parts of Council Bluffs.

The majority of both market-rate and affordable multi-family rental housing within Council Bluffs consists of low-rise apartments of two to three stories with surface parking. However, the planned Playland Park neighborhood just west of the Study Area is anticipated to include new housing types, including mixed-use residential rental apartments in a more urban format. There are few market-rate senior housing facilities in the city, but there are a number of affordable senior housing developments, which are also typically in low-rise structures of two to three stories. **Figure 1** on the following page describes the competitive pattern for market-rate and affordable rental apartments and some senior housing product.

Figure 1: Location of Selected Multi-Family and Senior Housing Developments



Rental Apartment Categories

- ◆ Affordable Multi-Family
- ◆ Market Rate Multi-Family
- ◆ Senior Affordable and Market Rate

 Study Area

2 mi.

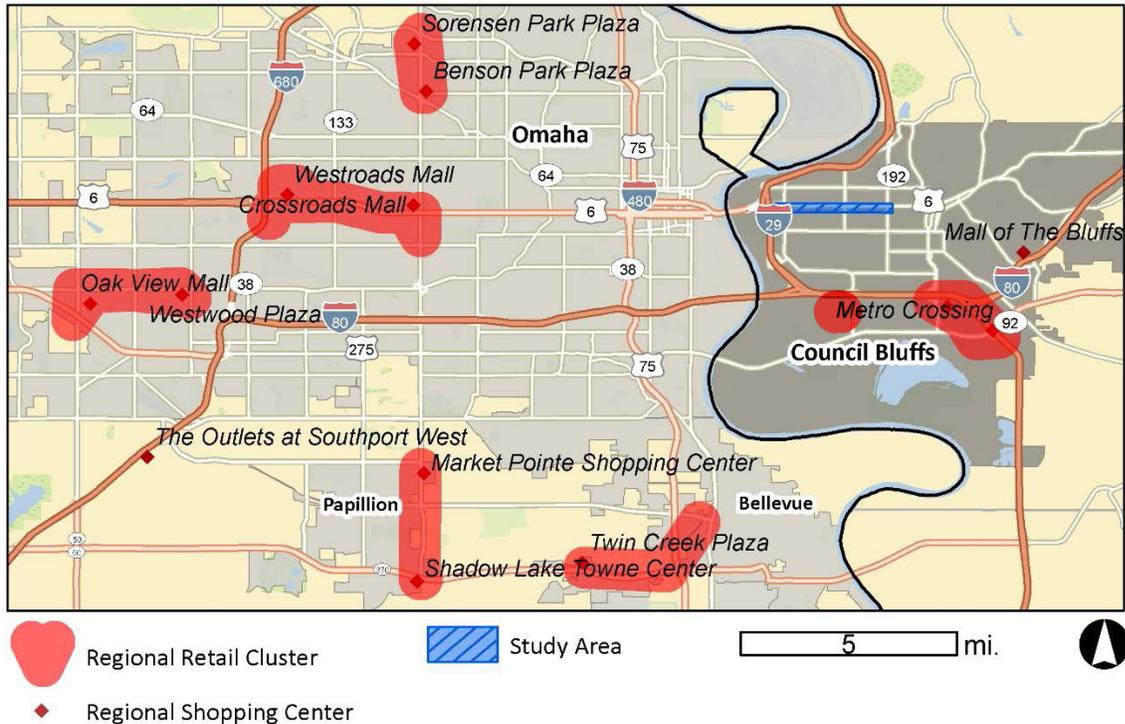


Source: Esri, Iowa Finance Authority, SB Friedman Development Advisors

RETAIL

Larger regional shopping centers in Omaha and Council Bluffs tend to locate near major interchanges or along high-traffic, high-accessibility corridors. Within this area, the regional retail centers are located south and west of the Study Area near Interstate 80 (“I-80”). Council Bluffs also has a supply of community and neighborhood-oriented retail, including supermarkets and large convenience retailers. The majority of these are located in the eastern parts of the City. **Figure 2** below summarizes major retail clusters near the Study Area.

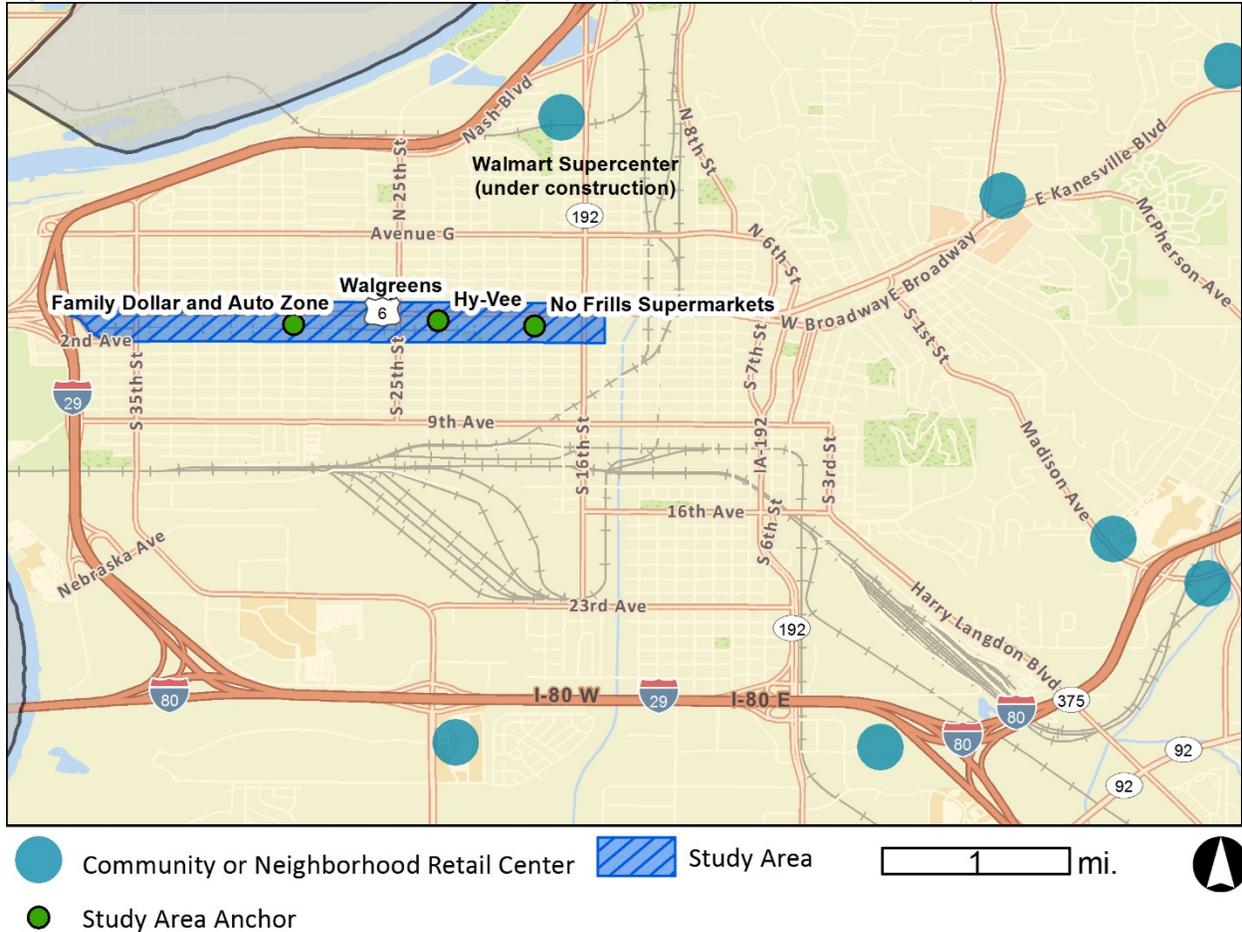
Figure 2: Selected Regional Retail Clusters and Major Centers



Source: CoStar, Esri, SB Friedman Development Advisors

Around the Study Area, there are several key shopping clusters that compete for consumer spending. **Figure 3** summarizes the location of the nearby clusters as well as some key anchors within the Study Area.

Figure 3: Selected Council Bluffs Community and Neighborhood Retail Centers Study Area Anchors

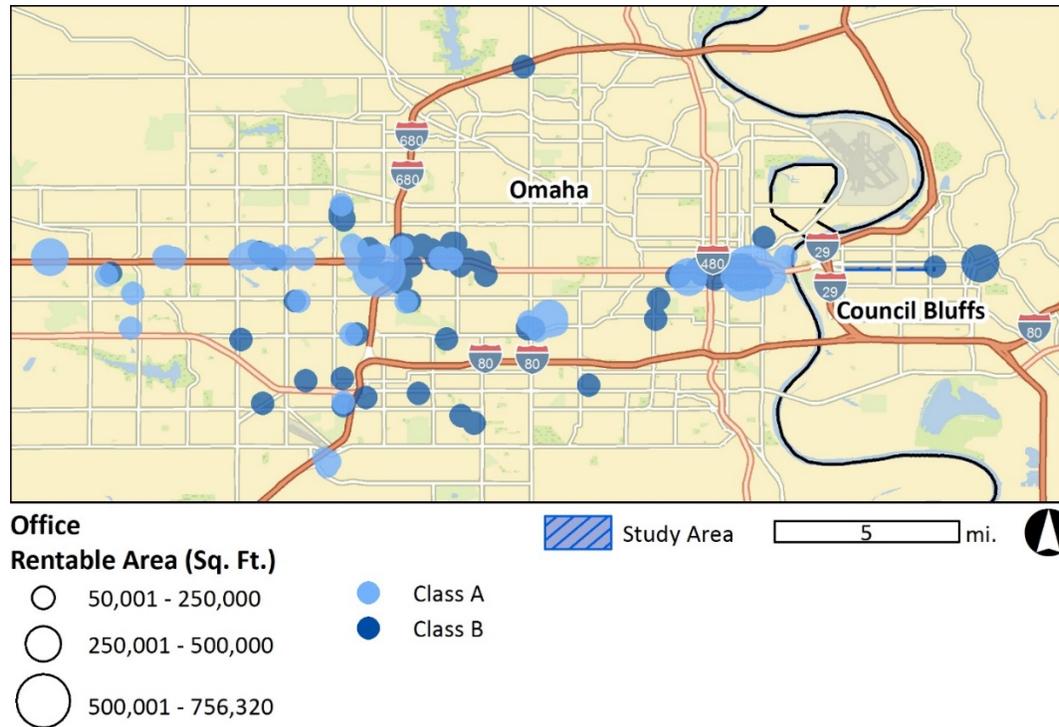


Source: CoStar, Esri, SB Friedman Development Advisors

OFFICE

Regionally, larger, newer Class A office buildings are located almost exclusively in Omaha, both downtown and on West Dodge Road. Council Bluffs has several large, older office buildings downtown, and Class A office development is also planned in Playland Park. There is low office vacancy in Council Bluffs; the office space that is available is located in the downtown area. **Figure 4** below shows the distribution of corporate office development in the Council Bluffs-Omaha market.

Figure 4: Regional Corporate Office Buildings

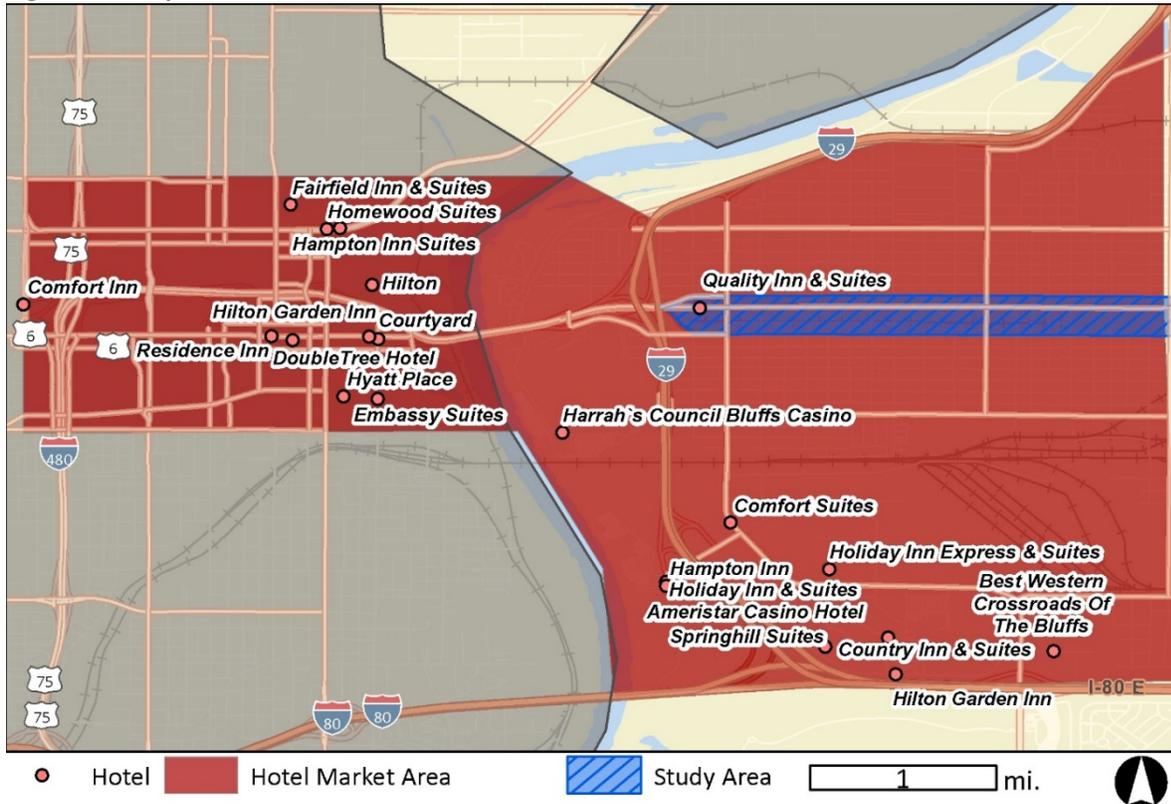


Source: CoStar, Esri, SB Friedman Development Advisors

HOTEL

The Study Area's close proximity to downtown Omaha, Epply Airfield, I-29, the casinos and downtown Council Bluffs are all supportive of a potential hotel. However, the lack of an I-29 exit onto West Broadway somewhat limits development potential. **Figure 5** below shows the locations of newer hotels near the Study Area.

Figure 5: Competitive Hotels



Source: CoStar, Esri, SB Friedman Development Advisors

Development Opportunities

Based on our analysis of competitive supply, demographic trends, demand and existing conditions within the Study Area, *SB Friedman* has identified potential opportunities for near-term and longer-term development within the Study Area.

NEAR-TERM DEVELOPMENT POTENTIAL

Within the next five years, there may be limited opportunities for development along the West Broadway Corridor. Given the challenges associated with urban redevelopment and lower rental rates than some other areas of the city and region, City financial assistance may be required to make some or all of these products financially feasible. Development products that may be feasible within this timeframe include:

- **Residential**
 - **Market-Rate Multi-Family Rental Housing.** One multi-family rental housing development with between 30 and 60 units, in a mid-rise building (three to four stories) may be feasible. This development would likely have surface parking.
 - **Affordable Multi-Family Rental Housing.** A new affordable housing development is likely to be feasible, but may not be desirable given the existing supply of affordable housing nearby. If affordable multi-family housing is developed within the Study Area, it could be located in a mid-rise building (three to four stories) and would likely have surface parking.
 - **Senior Affordable Housing.** One affordable senior housing development with between 40 and 80 units, in a mid-rise building (three to four stories), likely with surface parking, may be feasible. It is unknown whether City assistance in the form of Tax Increment Financing (TIF) might be required to facilitate this development.
- **Retail.** This would consist of one or two new convenience centers or small neighborhood centers, with anchors such as a fitness center or discount apparel store, totaling between 10,000 and 40,000 square feet of leasable area, potentially including some relocations of current tenants to more contemporary buildings.
- **Medical and Corporate Office.** Wild card office users of both sorts may come to the Study Area in the near term, but we cannot project the timing or scale due to the unique nature of such users.
- **Hotel.** Once I-29 improvements have been constructed (assuming an exit onto West Broadway), a limited-service hotel of 100 to 150 keys could be feasible.

LONGER-TERM DEVELOPMENT POTENTIAL

Over the next 10 to 20 years, the redevelopment of the West Broadway Corridor may continue to shift perceptions of western Council Bluffs. If early redevelopment projects and large, transformative infrastructure investments, such as interstate reconfiguration and/or transit or, to a lesser extent, the construction of a pedestrian/bike trail and/or other community amenities, are successful, there may be longer-term opportunities for additional development in this area. Below is an outline of what types of longer-term development are possible.

- **Residential.** As perceptions and market preferences change, there may be an opportunity to develop a larger residential neighborhood, including four to six new apartment buildings with 40 to 80 units each (located near transit and other amenities), and additional residential development types, including multi-family market-rate and affordable rental apartments in mid-rise buildings, affordable senior rental housing, and townhome or condominium units.
- **Retail.** As perceptions change, corridor improvements are made, and residential density improves, there may be an opportunity to develop up to two or three neighborhood and community retail centers as part of a mixed-use district with one or more “junior box” or general merchandise retailers. New junior box retail tenants might include discount and specialty retailers, such as DSW, Burlington Coat Factory, TJ Maxx, and pet stores or office supply stores. Other new tenants might consist of expanded dining options, including fast casual and sit-down family restaurants.
- **Office.** As a result of other development efforts, there may be some opportunity to integrate additional corporate and/or medical office uses into the corridor as amenities increase. New office users in the Study Area would likely be “wild card” tenants. It is therefore difficult to estimate the potential size of new office development. In addition, should an office user come forward, the City may elect to try to guide that development to downtown Council Bluffs or Playland Park, given the potential for greater catalytic benefits that could result from an office project in either of these locations.
- **Hotel.** There could be potential for a second limited-service hotel in the Study Area.

2. Introduction

The City of Council Bluffs, Iowa (the “City”) has engaged a team (the “Consultant Team”), led by Urban Design Associates and including HDR, Inc. and *SB Friedman Development Advisors (“SB Friedman”)*, to develop the West Broadway Corridor Redevelopment Plan.

The goal of the West Broadway Corridor Redevelopment Plan (the “Plan”) is to create a redevelopment framework for the West Broadway Corridor Study Area (the “Study Area”) through a public planning process. This framework will include recommendations regarding land uses, density, transportation and design. To inform the development of the Plan, *SB Friedman* has performed a real estate market analysis for various market-driven uses. The evaluated uses include:

- Housing
 - Single-family, detached, for-sale housing
 - For-sale townhomes and condominiums
 - Market-rate rental apartments
 - Affordable rental housing
 - Affordable and market-rate rental senior housing
- Retail
- Office
- Hotel

In the following chapters, we summarize key factors in supply and demand within the local real estate market in Council Bluffs. Specific work steps included:

- Evaluating existing conditions within the Study Area;
- Assessing competitive supply, including planned projects for residential, retail and office development, within the region;
- Evaluating demand for these uses;
- Considering the potential impacts of catalytic infrastructure improvements within the Study Area; and
- Identifying potential development opportunities, including product types and scales.

Limitations of *SB Friedman’s* engagement are included in the **Appendix**.

3. Existing Conditions

Council Bluffs

Council Bluffs, Iowa is a city of approximately 62,000 located just east of Omaha, Nebraska on the Missouri River. West Broadway (United States Route 6 (“US 6”)), is an important thoroughfare linking downtown Council Bluffs and Omaha via Interstate 480 (“I-480”), as shown in **Figure 1** on the following page.

PLANNING AND DEVELOPMENT CONTEXT

Recent plans and projects completed in Council Bluffs near the Study Area include:

- **Bob Kerrey Pedestrian Bridge.** Completed in 2008, this pedestrian bridge spans the Missouri River and connects Omaha to Council Bluffs, linking a series of riverfront parks in both cities.
- **Tom Hanafan River’s Edge Park.** This 80-acre park, which opened in 2013, is the site of the Council Bluffs landing of the Bob Kerrey Pedestrian Bridge. It was designed to protect the riverfront by preserving natural woodland and wetlands, and to provide trails and public open spaces.
- **Playland Park and Riverfront Plans.** The latest Playland Park Master Plan was adopted in 2014, and a conceptual riverfront redevelopment plan is currently in development. These two planning processes will guide the redevelopment of riverfront areas in Council Bluffs, including the development of the former Playland Park site as a pedestrian-oriented mixed-use neighborhood. These planning areas are located just west of the Study Area.
- **2014 Comprehensive Plan.** The City is in the final stages of updating its Comprehensive Plan. This planning document, which will include detailed sub-area plans for the West Broadway Corridor and other strategic sub-areas within the City, will be an important guide in developing the West Broadway Corridor Redevelopment Plan.

Study Area

The Study Area, shown in **Figure 1** on the following page, spans approximately two miles along West Broadway in central Council Bluffs, and includes the same distance along Avenue A to the north of West Broadway, and along 2nd Avenue to the south. West Broadway is a key commercial corridor in Council Bluffs, as well as a primary route into Omaha. The Study Area extends from the Interstate 29 (“I-29”) interchange on the west to South 15th Street on the east.

EXISTING USES

The Study Area has a mix of uses, primarily convenience and auto-oriented retail, fast food, and some small office spaces along the West Broadway Corridor. Thomas Jefferson High School is located on West Broadway at 25th Street. Along 2nd Avenue, there is primarily a mix of industrial and residential, including some multi-family and some single-family residential. Cochran Park is located on 2nd Avenue between 21st and 22nd Streets. The existing land use along Avenue A is primarily single-family residential. Trolley

Park is located on Avenue A between 28th and 29th Streets. Major intersections with West Broadway are located at 35th, 25th and 16th Streets.

Figure 1. West Broadway Study Area



Source: Esri, SB Friedman Development Advisors

CITY-OWNED LAND

The City owns or has options on approximately 23 acres of land in the Study Area. This land is located mainly south of West Broadway between South 35th Street and 27th Street. In addition, the former rail line along 1st Avenue has recently been vacated and is under City control. City-owned land can be a key asset in facilitating development.

AVERAGE DAILY TRAFFIC

According to 2012 traffic counts from the Iowa Department of Transportation (“IDOT”), West Broadway has an average annual daily traffic (“AADT”) of between 17,500 and 23,600 vehicles within the Study Area; this makes the corridor one of the highest-traffic roads (excluding interstate highways) in Council Bluffs. Avenue A and 2nd Avenue have lower traffic, with AADT ranging from 1,490 to 2,200 on Avenue A and from 3,590 to 4,300 on 2nd Avenue. AADT at key intersections, including traffic on West Broadway and cross streets, is listed below:

- **West Broadway and 35th Street:** up to 27,400 AADT
- **West Broadway and 25th Street:** up to 25,600 AADT
- **West Broadway and 16th Street:** up to 25,800 AADT

SITE CONDITIONS

The majority of the Study Area consists of smaller parcels. Many lots appear too shallow to accommodate the format of most large retail stores. Parcels north of West Broadway are approximately 120 feet deep, or 230 feet deep when extended through the depth of the block to Avenue A. On the south side of West Broadway, parcels are approximately 170 feet deep, except where development extends the entire depth of the block to 1st Avenue and to the depth of where 1st Avenue would be if that right of way is extended to the east, for a maximum total depth of approximately 350 feet.

Modern retail and other commercial development typically require adequate acreage to accommodate loading bays, more parking and larger commercial structures than are present through most of the Study Area. The south side of West Broadway is more likely to be attractive to large retailers, because there may be opportunities to build on the entire 350 foot depth between West Broadway and the extended 1st Avenue.

The presence of many older existing buildings in the Study Area may contribute to increased redevelopment costs by requiring demolition, stormwater detention and possibly environmental remediation. These are typical issues for infill urban redevelopment, but can pose financial challenges to redevelopment. In addition, there is a prevalence of disparate ownership throughout the Study Area, which may pose a barrier to redevelopment. Given these challenges along the corridor, public assistance may be required to support site assembly, demolition and other site preparation needs to accommodate redevelopment.

4. Demographics

Market Area Demographics

The following market demographics inform the residential and commercial market assessments in subsequent chapters of this report by providing context about household types, income levels and population growth. As shown in **Figure 2**, Council Bluffs has a population of approximately 62,000, or approximately 25,000 households with a median household income of about \$42,500 in 2013, according to Esri estimates. Omaha is much larger, with a 2013 population of 434,000, according to U.S. Census estimates, and slightly higher income, with a median household income of \$44,700, according to Esri. Population grew slightly in both Council Bluffs and Omaha between 2000 and 2010; however, while population growth in Omaha is projected to be 1.0% compounded annually between 2013 and 2018, the projected compound annual growth rate in Council Bluffs is only about 0.01% for population. In addition, median household income is expected to grow faster in Omaha than in Council Bluffs.

Figure 2. Population and Household Trends; Council Bluffs and Omaha 2000 – 2018

	Council Bluffs		Omaha	
	Population	Households	Population	Households
2013 Esri Estimate	62,334	24,913	418,700	167,035
2013 Census Estimate	61,969	N/A	434,353	N/A
CAGR 2000 - 2010	0.49%	0.65%	0.12%	0.08%
Projected CAGR 2013 - 2018	0.01%	0.11%	0.99%	1.03%
2013 Median HH Income	\$42,503 [1]		\$44,696 [1]	
2018 Median HH Income	\$51,076 [1]		\$55,596 [1]	

Source; Esri Business Analyst, U.S. Census, *SB Friedman Development Advisors*

[1] Income shown in nominal dollars.

Generally, Council Bluffs includes neighborhoods with higher household incomes to the east and those with lower incomes to the west. **Figure 3** compares the demographics of a subset of western Council Bluffs (the “sub-area”) with the City as a whole. The sub-area includes the Study Area as well as additional surrounding areas, and is bounded roughly by the river to the west, I-29 to the North, 15th Street to the east, and 9th Avenue to the south, as shown in **Figure 4** on the following page.

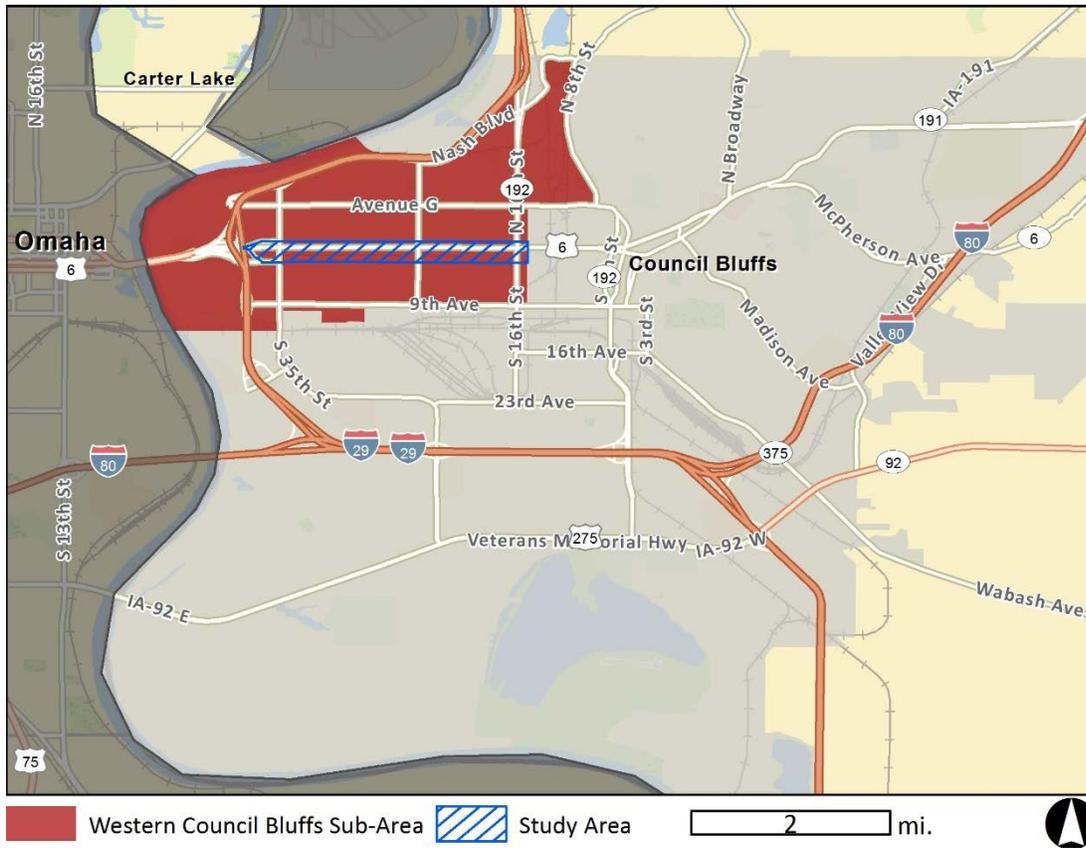
Figure 3. Population and Household Trends; Western Council Bluffs Sub-Area 2013 – 2018

	Western Sub-Area		Council Bluffs	
	Population	Households	Population	Households
2013 Estimate	19,840	8,198	62,334	24,913
2018 Projection	19,683	8,173	62,373	25,051
CAGR 2013 - 2018	-0.16%	-0.06%	0.01%	0.11%
2013 Median HH Income	\$31,133 [1]		\$42,503 [1]	
2018 Median HH Income	\$43,704 [1]		\$51,076 [1]	
2013 Household Characteristics:				
HH Earning less than \$25,000	28.9%		25.0%	
HH Earning \$25,000 - \$49,999	36.3%		32.3%	
Householders under Age 45	40.0%		38.4%	
Average Household Size	2.42		2.5	

Source; Esri Business Analyst, *SB Friedman Development Advisors*

[1] Income shown in nominal dollars.

Figure 4. Western Council Bluffs Sub-Area



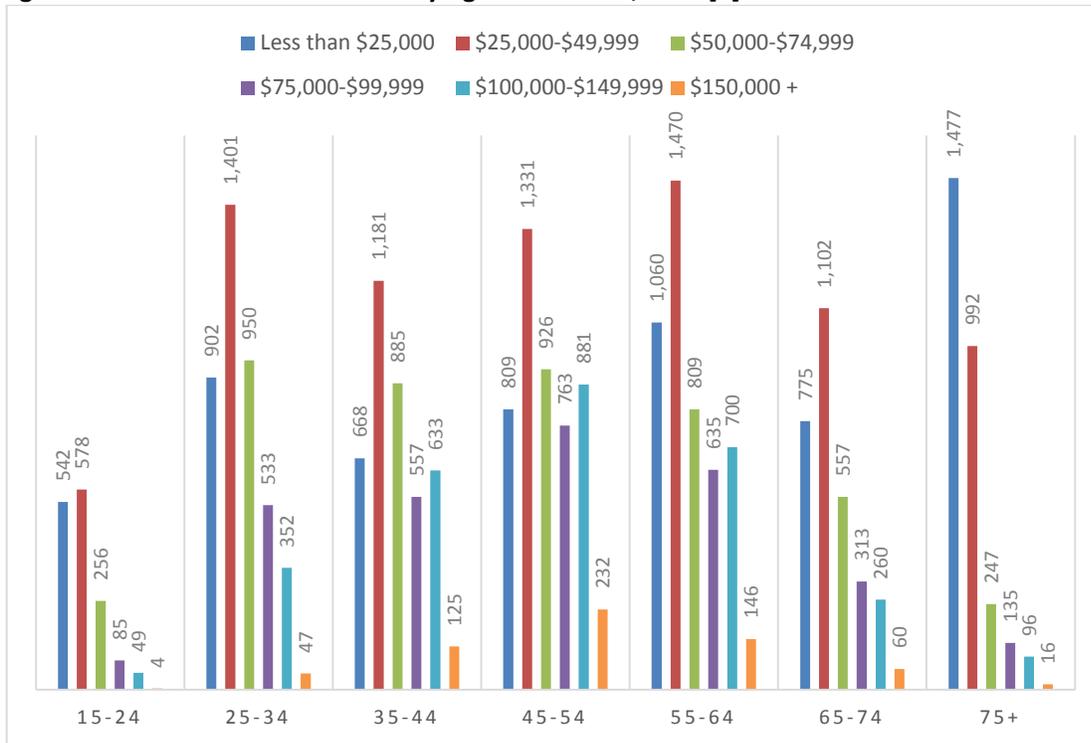
Source: Esri, SB Friedman Development Advisors

The sub-area has a lower median household income than that of the City overall, and has been subject to declining population; median household income in the sub-area is \$31,000 compared with \$42,500 citywide. The sub-area accounts for 32.9% of the households in Council Bluffs, but over 38.0% of the households with incomes lower than \$25,000. On average, the households within the sub-area are also slightly younger and smaller in size. Median household income is only projected to grow approximately 14.0% between 2013 and 2018, compared with a 20.0% projected income growth citywide.

The lack of projected growth in household income and population within this western sub-area is likely to limit the potential for development, even as income and population are projected to grow citywide. It is likely that catalytic development or large-scale public improvements will be needed to help overcome the demographic trends in this area.

Citywide, the population of Council Bluffs is primarily of a moderate household income; approximately half of all households have incomes between \$25,000 and \$74,999. **Figure 5** on the following page shows the breakdown of households in Council Bluffs by income and age of householder in 2013. **Figure 6** shows the projected change in this breakdown between 2013 and 2018.

Figure 5. Council Bluffs Households by Age and Income, 2013 [1]



Source: Esri Business Analyst, SB Friedman Development Advisors
 [1] Income shown in 2013 dollars.

Figure 6. Council Bluffs Change in Households by Age and Income, 2013-2018 [1]



Source: Esri Business Analyst, SB Friedman Development Advisors
 [1] Income shown in 2013 dollars.

The largest projected growth is in households with incomes between \$75,000 and \$149,999 for multiple age cohorts and in households with householders 55 and older. This suggests that the population of Council Bluffs is becoming older and more affluent, which may have implications for the housing market, as outlined below:

- **Growth in Household Income.** The increasing number of households earning between \$75,000 and \$149,999 in the next five years may be an indicator of growing demand for luxury housing. In particular, the increase in young households in this income range may lead to a shift in housing preferences, including increased demand for high-amenity housing in mixed-use neighborhoods. Planned developments, including Playland Park, are well-positioned to meet some of this demand. It is unclear what the depth of the market for these product types will be.
 - **Growth in Income of Potential Apartment Renters.** In the next five years, Council Bluffs is expected to add over 350 households with incomes of \$75,000 or higher and householders younger than 35. This is the age/income cohort most likely to rent (along with empty nesters/seniors). However, the total number of households in this age cohort is projected to decline by almost 200. Thus, although there may be fewer apartment renters overall, there are more likely to be households able to afford new construction, market-rate rental housing.
 - **Decline in Number of Potential Single-Family Homebuyers.** In the next five years, Council Bluffs is projected to lose over 500 households with householders between 35 and 54 years of age. This represents a decline in the number of households likely to buy detached single-family housing. However, as with apartment-renting cohorts, the income of this age cohort is likely to increase.
- **Growing Senior Population.** The number of senior-headed households of all income ranges is projected to grow in the next five years. The City is expected to add over 300 senior-headed households earning less than \$25,000, and 30 households with householders aged 65 to 74 earning between \$25,000 and \$50,000. In addition, the City is expected to add over 300 higher-income senior-headed households with incomes between \$75,000 and \$150,000. This growth in the senior population may indicate a growing demand for senior housing, including both affordable and market-rate senior housing, within Council Bluffs.

Growing incomes in multiple age cohorts may suggest a growing demand for new or high-quality housing. New housing development within the Study Area could absorb some of this growth; however, the housing product and surrounding environment must be attractive enough to entice higher-income households throughout the City to live within the Study Area. The Study Area could potentially tap into the broader demographic growth in the region. However, substantial marketing and rebranding may be required to attract people who are not currently living in Council Bluffs.

We explore housing market dynamics further in the following chapter.

Conclusions

In the following chapters, we consider the real estate market potential in the Study Area in the context of this demographic analysis. Key points that will influence the real estate market potential include:

- Western Council Bluffs has a weaker demographic profile than the City as a whole and nearby Omaha.
- The projected population decline and limited income growth may indicate limited demand for new residential or commercial development in western Council Bluffs, absent substantial change(s) in the market or the physical environment.
- The projected increase in senior-headed households may indicate a growing demand for senior housing within Council Bluffs.
- The projected lack of growth in population among younger households may limit the potential growth in demand for new multi-family apartments. However, the growing incomes at these age levels may change the type of rental housing demanded within Council Bluffs. There may be growing demand for newer, high-amenity multi-family rental housing.
- In order to capitalize on both citywide and regional opportunities for growth, transformative redevelopment of the West Broadway Corridor may be needed to reposition the western neighborhoods and increase their attractiveness to potential residents and developers.

5. Residential Market Potential

SB Friedman considered the potential for four types of residential development within the Study Area. These include the following:

- **Single-Family:** Market-rate, single-family for-sale housing
 - Detached single-family houses
 - Townhomes and condominiums
- **Multi-Family:** Multi-family rental housing
 - Market-rate rental apartments
 - Affordable rental apartments
- **Senior:** Affordable and market-rate, senior independent-living rental housing
- **Other:** Affordable rental senior and family townhomes

Below we outline the competitive supply and market potential for these residential types.

Single-Family For-Sale Housing

DETACHED SINGLE-FAMILY HOUSES

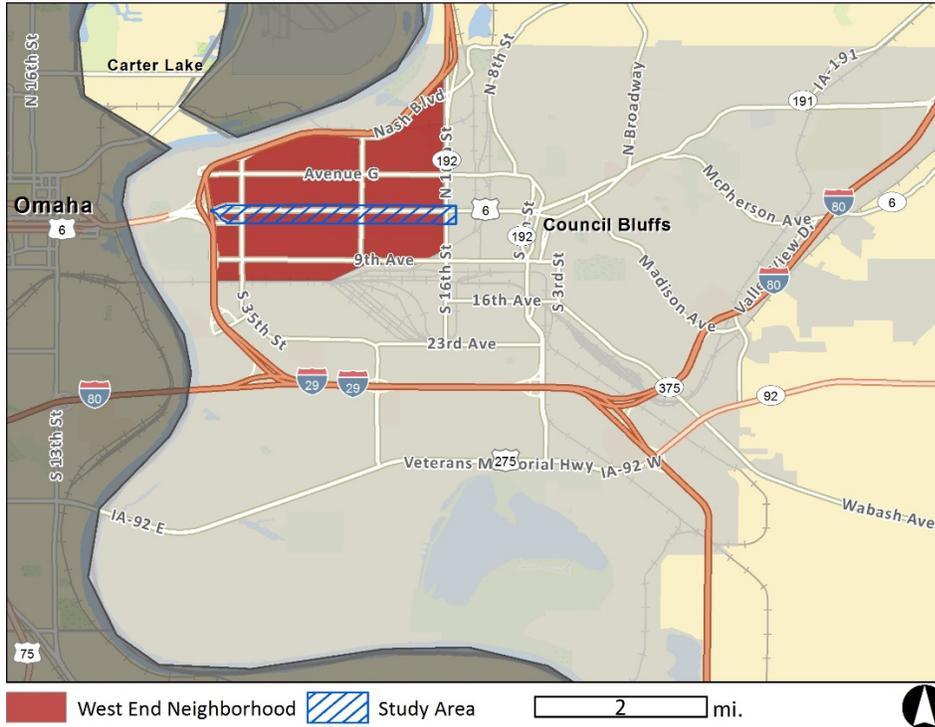
The Study Area is located mostly within the “West End” residential neighborhood of Council Bluffs, which is bound generally by the interstate to the north and west, 16th Street to the east, and the rail corridor to the south (**Figure 7**). This neighborhood has primarily small, detached single-family housing. Brokers indicate that the residential market is relatively stable. They report that most houses in this area are one-and-a-half to two stories, and sell for between \$60,000 and \$110,000 on average. Relatively low sales prices make these homes attractive to first-time homebuyers. Zillow market data support brokers’ statements; median sales prices in the 50501 zip code, which includes most of western Council Bluffs, have typically been \$80,000 to \$90,000 in recent years, compared with sales prices between \$110,000 and \$120,000 within the City as a whole. Based on our interviews with brokers, there are some negative perceptions of this neighborhood based on the condition of some existing housing stock and commercial buildings, and the presence of certain commercial tenants such as payday loan companies and others.

The potential to develop additional single-family housing in the Study Area in the near term is likely limited, both due to neighborhood conditions and site conditions within the Study Area. However, there have been several recent developments of new, detached single-family houses near the Study Area in recent years. Most of these new single-family units were built as City-driven development projects, rather than as purely private development projects. These new housing developments have recently been constructed in the West End, and have benefitted from assistance, including discounted land cost, Iowa enterprise zone incentives, and rebated sales tax on construction materials, to improve their competitive position in the market. They were sold to families earning 80% of the Area Median Income (“AMI”). In the near term, the City will likely need to continue to provide some form of financial support to help create opportunities for new for-sale housing within the West End.

There are few or no suitable sites for large-scale development of detached single-family housing in the Study Area. The relatively low incomes and low housing prices in the surrounding neighborhoods make it challenging to build and sell new construction homes profitably. In addition, from a buyer’s point of

view, absent a large-scale project that effectively creates its own submarket, it would likely be difficult to get a new home appraised at prices materially higher than the current market pricing. These factors limit the development potential of new, for-sale single-family housing development in the near term. The planned Playland Park development appears to be seeking to overcome some of these challenges by developing at a large scale, which could define a new submarket, and by branding itself as a self-contained neighborhood.

Figure 7. West End Neighborhood



Source: Esri, Interviews, *SB Friedman Development Advisors*

TOWNHOMES AND CONDOMINIUMS

Brokers indicated very limited demand for for-sale condominium or townhouse units; to date, urban format, vertical condominium buildings have not typically been developed in Council Bluffs, and homebuyers in the West End have been interested in detached housing. Attached for-sale housing is typically desirable/successful within a housing market where:

- Land costs are high enough to make the smaller land requirements per unit of attached housing result in materially less expensive units;
- The surrounding neighborhood offers a high level of amenities, including open space, retail and restaurant options, and/or access to transit; and
- Residents value the reduced property maintenance costs (in both time and money) offered with shared ownership.

Currently, attached for-sale housing within the Study Area would likely only satisfy the last of the above criteria. Neighborhood amenities like Trolley Park do exist within the Study Area, but more private-sector amenities are likely to be needed. In addition, enhanced public amenities, including dog-friendly

park areas and other neighborhood improvements, may help make the area more attractive for attached for-sale housing development.

CONCLUSIONS

As outlined above, most detached single-family homes are relatively inexpensive in the West End neighborhood. Both the Study Area and the West End neighborhood currently do not have land values or the level of amenities that are typically needed to drive an attached, for-sale housing market. However, should the City elect to continue to provide financial support to small-scale single-family housing development within the Study Area, in the form of reduced land costs and/or property tax incentives to private developers and owners to reduce development costs and total cost of ownership such development would likely be feasible. Large-scale development of attached or detached single-family housing may not be feasible in the near term.

Multi-Family Rental Housing

We analyzed the supply and market performance of market-rate and affordable apartments within and around the Study Area to help define the market potential for new multi-family housing development. **Figure 8** shows the locations of the market-rate and affordable rental housing properties outlined in this section, and the senior housing properties discussed in the following section.

Figure 8. Location of Selected Multi-Family and Senior Housing Developments



Source: Esri, Iowa Finance Authority, SB Friedman Development Advisors

The most common type of multi-family rental housing in Council Bluffs is low-rise development, often in garden apartment complexes with clusters of two- and three-story buildings. The buildings are typically located off of the City’s primary street grid, with head-in surface parking or small garages and covered parking. Some newer multi-family rental apartments in Omaha have a more urban design, including mid-rise (four to six stories) and high-rise (more than six stories) buildings with ground floor retail and structured parking, either in an attached structure or at below-ground level.

MARKET-RATE RENTAL HOUSING

Key market metrics regarding the competitive supply of market-rate apartments in western Council Bluffs (in/near the Study Area) and downtown Omaha are summarized in **Figure 9**.

Figure 9. Selected Market-Rate Multi-Family Apartments in Council Bluffs and Omaha

Name	Address	Type	Year Built	Occupancy	Units	Rent
Council Bluffs						
River Park	20 S. 41st St.	Low-Rise	1987, 2000, 2007	98%	358 (36 Studio, 210 1 BR, 112 2 BR)	0 BR: \$630 - \$740 1 BR: \$760 - \$1,050 2 BR: \$1,050 - \$1,345
3 Points Lofts	510 Bluff St	Low-Rise	2013	100%	20 (16 1 BR, 4 2 BR; incl. 1 affordable)	1 BR: \$720 - \$900 2 BR: \$900 - \$1,075 Aff. 2 BR: \$667
Maple Park	3524 2nd Ave.	Low-Rise	1960s, 1990s	100%	80 (1 and 2 BR)	1 BR: \$560 - \$770 2 BR: \$900
Cottonwood	806 N. 34th St.	Low-Rise	Not Avail.	94%	131 (8 Studio, 35 1 BR, 88 2 BR)	1 BR: \$505 - \$525 2 BR: \$615 - \$650
Chapel Ridge	4506 Chapel Ridge Ln.	Low-Rise	2004	96%	160 (48 Market-Rate; 1-4 BR)	\$845 - \$1,175
Parkwild	1801 Parkwild Dr.	Low-Rise	1978	90%	134 (Mostly 1 and 2 BR, 8 3 BR)	1 BR: \$650 - \$900 2 BR: \$750 - \$975
Shadow Park	3401 12th Ave.	Low-Rise	Not Avail.	90%	36 (1 and 2 BR)	\$750 - 850
Downtown Omaha						
1501 Jackson	1501 Jackson St.	Mid-Rise Mixed Use	2014	64% (leasing 6 months)	70 (1-2 BR, 2 2 BR Penthouse)	1 BR: \$950 - \$1,300 2 BR: \$1,300 - \$1,850 Penthouse: \$2,575
Tip Top	1524 Cuming St.	Mid-Rise	2005	94%	105 (14 1 BR, 91 2 BR)	1 BR: \$800 - \$925 2 BR: \$1,000 - \$1,400
Limelight at 16 th	325 S. 16th St.	Mid-Rise Mixed Use	2014	62% (leasing 6 months)	39 (4 Studio, 20 1 BR, 15 2 BR)	0 BR: \$850+ 1 BR: \$950+ 2 BR: \$1,249+
The Renata	201 S. 16th St.	High-Rise Mixed Use	2009	90%	147 (14 1 BR, 93 2 BR, 29 3 BR, plus 38 condo units)	1 BR: \$700 - \$1,250 2 BR: \$1,150 - \$2,000 3 BR: \$1,700 - \$2,100
The Bank	206 S.	High-Rise	2011	93%	106	1 BR: \$790 - \$915

	19 th St.	Mixed Use			(42 1 BR, 64 2 BR)	2BR: \$1,000 – \$1,200
Slate	119 N. 19 th St.	Mid-Rise	2013	97%	117 (90 1 BR, 27 2 BR)	1 BR: \$765 - \$995 2 BR: \$1,045 - \$1,245
The Wire	100 S. 19 th St.	High-Rise Mixed Use	2015	70% (leasing 6 months)	300 (190 1 BR, 110 2 BR)	1 BR: \$760 - \$1,145 2 BR: \$970 - \$1,650

Source: Interviews, *SB Friedman Development Advisors*

In addition to the developments in western Council Bluffs listed above, it is our understanding that between 200 and 300 units of market-rate rental housing may be proposed at the Playland Park development in the near term.

This summary of apartment supply, in combination with the demographic analysis outlined in Chapter 4, provides important context regarding the markets for multi-family rental housing in Council Bluffs and Omaha. Key points include:

- The majority of multi-family rental housing properties in Council Bluffs is several decades old, though there have been some recent developments or expansions. The majority of new development appears to be occurring in downtown Omaha.
- Rental housing is able to charge a premium in downtown Omaha. Rent per square foot for market-rate rental housing in downtown Omaha appears to average around \$1.20 to \$1.25, with some rents as high as \$1.65 per square foot. In Council Bluffs, many apartments rent for approximately \$0.88 per square foot, particularly in older developments. Newer multi-family units in River Park and 3 Points have rents between \$1.04 and \$1.15 per square foot, with rents on some River Park units approaching the rents in downtown Omaha.
- Market-rate, multi-family rental housing in Council Bluffs and downtown Omaha is currently relatively highly occupied.
- The newest market-rate multi-family development in western Council Bluffs is the River Park Apartments. River Park Apartments are located along the Missouri River, south of I-480 and directly west of the Study Area. The development was originally built in 1987, and was doubled in size in 2000 and again in 2007. The riverfront location, recent construction, and the proximity and accessibility of downtown Omaha from River Park likely enhance its marketability and appeal. The property has a coherent, high-quality environment and is able to demand rents that are relatively high compared to those in other nearby multi-family developments. This may indicate relatively high marketability for the planned Playland Park development, which will also be located near the Council Bluffs riverfront.
- The income growth among likely apartment renters (as discussed in Chapter 4) may further indicate potential demand for new, higher-amenity, multi-family rental housing.
- Because there are currently no mid-rise or mixed-use residential developments within Council Bluffs near the Study Area, it is difficult to anticipate the potential marketability of such a development. The success of recent mid-rise mixed-use neighborhood developments in Omaha may indicate an overall receptiveness to this type of residential development within the market area. However, the presence of new residential developments in downtown Omaha and

Playland Park are likely to provide a higher level of off-site amenities than a similar development in the Study Area. This implies that a higher level of off-site amenities (e.g., dining, entertainment, parks and trail, others) might be required to attract potential renters. To stimulate demand for mid-rise, mixed-use multi-family rental housing, large-scale improvements are needed to improve perceptions over time, thus increasing the level of amenities within the Study Area.

AFFORDABLE RENTAL HOUSING

The supply of affordable housing physically resembles the supply of market-rate multi-family apartments in Council Bluffs; it consists primarily of suburban-style low-rise garden apartments. **Figure 10** summarizes the characteristics and market performance of selected affordable housing properties in the vicinity of the Study Area. Included in this summary is the targeted affordability level of the units within each development, defined as a certain percentage of the AMI. Under this definition, the rents are set so that they are affordable to households with incomes at each target affordability level.

Figure 10. Selected Affordable Multi-Family Apartments in Council Bluffs

Name	Address	Type	Year Built	Occupancy (Waitlist?)	Units	Rent	Affordability Level
Western Trails Apartments	3201 Renner Dr.	Low-Rise	1997	95% (Starting a wait list)	120 (2 and 3 BR)	2 BR: \$650 3 BR: \$750	
Beacon Place	2400 S. 19th St.	Low-Rise	2012	98% (Yes)	40 (Primarily 1 and 2 BR, some 3BR)	1 BR: \$320-\$375 2 BR: \$375 - \$677 3 BR \$620 - \$812	30% AMI 50% AMI 60% AMI
Chapel Ridge	4506 Chapel Ridge Ln.	Low-Rise	2004	96% (No)	160 (112 Affordable; 1-3 BR)	\$615 - \$835	60% AMI
The Bluffs	2065 Nash Blvd.	Low-Rise	1995	97% (No)	202 (1-3 BR)	\$625 - \$810	60% AMI
Parkwild (The Heights)	649 Parkwild Dr.	Low-Rise	1996	95% (No)	96 (Primarily 2 BR)	\$605 - \$820	50% AMI 60% AMI
Featherstone	901 N 35th St.	Low-Rise	1978	93% (Yes)	147 (1-4 BR)	\$665 - \$1,060	30% AMI 60% AMI

Source: Interviews, Iowa Finance Authority, *SB Friedman Development Advisors*

Based on the above summary and the demographic analysis outlined in Chapter 4, we can make the following observations regarding the market for affordable multi-family rental housing in Council Bluffs:

- It is likely that affordable housing development is more financially feasible than market-rate housing development in Council Bluffs in the current market. Recent development activity in affordable housing appears to have outpaced development of market-rate apartments, so the inventory of affordable rental housing is generally newer than the inventory of market-rate apartments. With the exception of very-low income (30% AMI) units, the rents for affordable housing units are not significantly lower than some of the market-rate housing within the same area. Thus, absent other changes may prove challenging to attract new market-rate development in the near term.

- Although there is a large inventory of affordable multi-family housing in Council Bluffs, many of these developments have relatively high occupancy levels and waiting lists for available units. This may indicate additional unmet demand for affordable rental housing within the market.
- Demographic trends suggest that income is growing within Council Bluffs. In all age cohorts except for seniors, there may be a decline in the number of low-income households in the next five years. However, as the AMI grows, the income thresholds for affordable housing will also increase. Therefore, demand for affordable multi-family rental housing is likely to remain stable or grow over the next five years.

Senior Housing

There are a few affordable and market-rate independent age-restricted housing developments within Council Bluffs. These are rental apartments that are available to residents above a certain age, typically either 55 or 62. Like the multi-family rental housing, these apartments tend to be in low-rise buildings, although each property is typically composed of a single building rather than several smaller buildings. These senior housing facilities are summarized in **Figure 11** below.

Figure 11. Selected Independent Senior Housing Apartments in Council Bluffs

Name	Address	Type	Year Built	Occupancy (Waitlist?)	Units	Rent	Affordability Level	Comments
Maple Park	3524 2nd Ave.	Low-Rise	1990s	100% (Yes)	51 (all 1BR)	Subsidized – Tenants pay 30% of income as rent	Affordable, Subsidized	Residents 55+
The Rose of Council Bluffs	2306 Sherwood Dr.	Low-Rise	2011	95% (Yes)	76 (72 1BR, 4 2 BR)	1 BR: \$532 - \$695 2 BR: \$750	40% AMI 60% AMI	Residents 55+
Primrose	1801 E Kanessville Blvd.	Low-Rise	Not Avail.	85% (No)	40 (1 and 2 BR)	\$2700 - \$3200	Market-rate	Residents 55+; Full-time nursing staff, breakfast and lunch included; Assisted living also available
Bennett Building	405 W. Broadway	High-Rise; 7 stories	1908	93% (Yes)	30 (1 and 2 BR)	\$425 - \$500	40% AMI 50% AMI	Residents 55+
Prime Square	822 S. Main St.	Low-Rise	2008	100% (Yes)	80 (56 Affordable)	\$547 - 860	40% AMI 50% AMI 60% AMI Market-rate	Residents 62+

Source: Interviews, Iowa Finance Authority, *SB Friedman Development Advisors*

Most of the above affordable senior housing properties have waiting lists, indicating a strong existing demand for affordable senior apartments. As discussed in Chapter 4, the senior population in Council Bluffs is expected to grow. In particular, the City is expected to add over 300 senior-headed households earning less than \$25,000 by 2018; this cohort may need access to subsidized housing. The number of households with householders aged 65 to 74, with incomes between \$25,000 and \$50,000, is also expected to grow by 30 households. Therefore, it appears likely that demand for affordable senior housing will continue to grow in the near term, especially for the lowest household income cohort. There may also be some potential for affordable senior housing in cottage-style developments with duplex or quadplex units rather than larger low-rise apartment buildings. This type of development could be located on smaller lots within or adjacent to single-family housing areas. Cost-effective management of a smaller group of rental units can be challenging. However, a property manager that is familiar with handling affordable senior rental units may be able to manage this type of smaller project.

Affordable Rental Senior and Family Townhomes

As discussed above, townhome-style housing development is not common in western Council Bluffs, and the market is unlikely to support the development of for-sale townhomes in the near term. However, there may be some opportunity to develop affordable rental townhome units. In recent years, there have been several moderate-scale developments of affordable rental townhomes in Omaha. These include:

- **Greenview Estates:** 14 three- and four-bedroom units affordable to families with incomes up to 60% of AMI.
- **Nathan Townhomes:** 13 two- and three-bedroom units affordable to families with incomes up to 80% of AMI.
- **St. Richards Plaza:** 10 two-bedroom units affordable to seniors with incomes up to 60% of AMI.

Similar to detached single-family housing, the large-scale development of affordable rental townhomes within the Study Area may not be feasible in the near term. However, it is possible that demand exists for smaller-scale affordable rental townhome developments similar to those listed above. In addition, townhomes may be a good product to build on a smaller site(s) and could help buffer existing single-family homes from higher-intensity commercial uses. Cost-effective management of a smaller group of rental units can be challenging. However, a property manager that already handles affordable rental units may be able to manage this type of smaller project. This type of development may require financial assistance from the City.

Discussion and Conclusions

Based on these analyses, we have outlined the potential for residential development within the near term (5 years) and the long term (10 to 20 years). It is possible that some of this development may require TIF funding or other public financial assistance.

NEAR-TERM DEVELOPMENT POTENTIAL

Unlikely to Occur

- **Single-Family For-Sale Detached Housing.** In the near term, it is not likely that there will be significant opportunities for large-scale development of single-family, for-sale detached housing in the Study Area, due to the lack of appropriate sites, the low sales prices relative to construction costs in the area, and negative neighborhood perceptions. However, there may be opportunities for the City to develop or incentivize the private-sector development of a few units. Overall, it appears that other housing types would be more feasible within the Study Area.
- **Single-Family For-Sale Townhomes and Condominiums.** In the near term, it is not likely that there will be opportunities to develop for-sale townhomes and condominiums in the Study Area, due to the relatively low sales prices and land values in the area, negative perceptions of the neighborhood, limited nearby amenities appealing to attached homebuyers, and a lack of demand for this product type in Council Bluffs. A higher level of amenities and stronger overall market performance would likely be necessary to support the development of this type of for-sale housing.

More Likely to Occur

- **Multi-Family Market-Rate Rental Housing.** As outlined in Chapter 4, incomes are relatively low in western Council Bluffs. In addition, projected population growth in this area is limited. However, occupancy is high at most of the multi-family developments near the Study Area, and incomes among likely apartment renters are growing. In particular, the high (98%) occupancy at River Park may indicate a strong demand for newer housing developments located near downtown Omaha. The level of success experienced by the planned apartments at Playland Park will offer additional insight into the potential for rental apartments in the Study Area. There may be an opportunity for one small mid-rise (three to four stories), multi-family market-rate rental apartment with surface parking in the Study Area within the next five years. However, it is unlikely that such a project will begin before the Playland Park building(s) have begun leasing and/or are substantially leased to allow the market to better evaluate the potential in the area.
- **Multi-Family Affordable Rental Housing.** The high occupancy levels at existing affordable housing developments may indicate unmet demand for affordable, multi-family rental housing within the Study Area. Thus, an affordable housing project may be feasible in the near term. In addition, an affordable component could be incorporated into the new mid-rise, market-rate residential development described in the prior bullet. However, producing additional affordable units within a larger market-rate project would likely delay the delivery of the affordable units, and might have a negative impact on the marketability of the market-rate units. On the positive side, including an affordable component could assist the overall financing of the project and might move forward the delivery of the market-rate units (assuming the market will tolerate a mixed-income property).
- **Senior Affordable and Market-Rate Rental Housing.** Based on demographic trends, it appears likely that demand for affordable senior housing will grow within Council Bluffs in the next five years. There may be opportunities to develop new affordable independent senior apartments in

mid-rise buildings with surface parking (or structured parking if assistance is provided) or cottage-style developments, along the West Broadway Corridor.

- **Affordable Rental Townhomes.** There may be opportunities to develop this type of product, presumably with City financial assistance or state or federal tax credit assistance. Townhomes can be built on a smaller site(s) and could help buffer existing single-family homes from greater density to be developed along the corridor in the future. However, cost-effective management of a smaller group of rental units can be challenging.

LONGER-TERM DEVELOPMENT OPPORTUNITIES

In the longer term, large-scale public and private investment will likely be needed to change perceptions of western Council Bluffs and provide amenities in the Study Area. As perceptions change, it is possible that the demand for and marketability of mixed-use developments will increase. Transformative development including major transit, as well as other public facilities such as trails or parks, and improvements to the built environment of the Study Area may result in increased amenities and help generate demand for condominiums and townhomes. This could also stimulate additional demand for mixed-use and mixed-income multi-family rental apartments, and senior rental housing. In the next 10 to 20 years, the Study Area might support between four and six additional housing developments with 40 to 80 units each in mid-rise buildings that may have structured parking and some ground-floor commercial space.

6. Retail Market Potential

In order to evaluate the retail development potential in the Study Area in both the near term and longer term, we assessed current market conditions, planned developments, and regional and local trends in retail development. Based on these factors, we projected the near-term and longer-term retail development potential within the Study Area and identified the types of tenants that might be drawn to the Study Area.

Study Area Conditions

The majority of retail development within the Study Area is located along West Broadway, although there are retail establishments throughout the entire Study Area. According to CoStar data, the total gross leasable area (“GLA”) of retail building space in the Study Area is approximately 647,000 square feet, and retail vacancy is approximately 12%, almost double the citywide retail vacancy rate of 6.3% (**Figure 12** on the following page). Triple net (“NNN”) rents, which exclude property taxes, insurance, and Common Area maintenance charges, are also lower on average in the Study Area. The most common types of retail development within the Study Area include:

- **Strip Retail Centers.** There are 14 strip retail centers within the Study Area, with total GLA of over 195,000 square feet; this accounts for almost one-third of total retail GLA in the Study Area. Several of these shopping centers are older and have nonstandard configurations. The overall vacancy rate of these retail centers is approximately 30%, which is much higher than the overall Study Area rate.
- **Car-Related Uses.** The most common retail use is car-related retail, including car washes, automotive service garages and independent car dealerships. There are 28 of these businesses within the Study Area, and they account for approximately 17% of the total Study Area retail GLA. In addition, there are 6 gas stations with convenience stores within the Study Area, one of which is vacant. These account for an additional 3% of total GLA.
- **Fast-Food and Small Restaurants.** There are 13 chain fast-food restaurants and an additional 9 small, independent restaurants within the Study Area. In addition, there is one vacant fast food restaurant. In total, these properties have over 56,000 square feet of GLA.
- **Grocery Stores.** The Study Area contains two grocery stores, Hy-Vee and No-Frills Supermarket, which have a combined GLA of over 81,000 square feet.

The remaining 25% of retail GLA within the Study Area is occupied by a range of uses, including freestanding laundromats, bars, drug stores, and service tenants including beauty salons and tattoo parlors, as well as 6 retail banks. The Study Area also contains payday loan providers, rental and rent-to-own centers, and pawn shops, which according to brokers, negatively impact perceptions of the area and pose challenges to new retail development.

Although the Study Area is located adjacent to the junction of I-480 and I-29, it is currently only accessible from I-480 from Omaha; there is no access to the Study Area from I-29. A planned

reconstruction of Interstate 29 in this location would likely enhance the accessibility of the Study Area; however, the timeframe for this improvement is unknown.

Figure 12. Retail Property Performance

	Study Area	Council Bluffs
Total GLA	647,512	6,235,169
Vacancy Rate	12.0%	6.3%
NNN Rent	\$9.76	\$12.17

Source: CoStar, SB Friedman Development Advisors

RECENT DEVELOPMENT

Retail development in the Study Area completed within the past five years includes the following:

- **Hy-Vee**, 2323 W. Broadway Street. This 38,500-square-foot grocery store was built in 2010.
- **First National Bank**, 2421 W. Broadway Street. This newly-constructed retail bank is located adjacent to the Hy-Vee. It is approximately 5,000 square feet and was constructed in 2012.
- **Hy-Vee Gas Station and Convenience Store**. This gas station and convenience store, built in 2014, is located behind the First National Bank and adjacent to the Hy-Vee.
- **River City Plaza**, 2210 W. Broadway Street. This new retail strip center, built in 2014, has approximately 9,000 square feet of retail space, and is 65% leased, though it is still in lease-up. Current tenants include a Dunkin’ Donuts and Verizon Wireless store. This strip center is highly visible, oriented toward the street, and has proper parking and circulation, which sets it apart from many of the older retail strip centers in the Study Area. River City Plaza has attractive and modern design, finishing and layout. However, retail brokers confirm that the asking rents for this property are high, relative to other retail spaces in the corridor, and may limit the types of tenants that are able to locate here. Recognizing this, the property’s leasing agent anticipates pursuing medical office users, including opticians and physical therapy providers, to lease the remainder of the space.
- **Little Caesars**, 3327 W. Broadway Street. This approximately 2,700-square-foot fast-food restaurant opened in 2013.
- **TS Bank**, 3201 W. Broadway Street. This retail bank branch opened in 2013.

Other relatively recent development activity includes:

- **Jimmy John’s**, 1640 W. Broadway Street. This approximately 1,000-square-foot fast-food restaurant opened in 2007, and features a high-quality exterior design.
- **Kentucky Fried Chicken**, 2800 W. Broadway Street. This approximately 1,800-square-foot fast-food restaurant with a drive-through opened in 2008.

A number of these projects have been completed with assistance from the City. It is likely that future redevelopment projects within the Study Area will request some form of public assistance. Tax Increment Financing (TIF) and other financial incentives can help address infrastructure problems, such as stormwater management, and reduce the costs associated with infill redevelopment, including demolition and remediation.

PRESENCE/ABSENCE ANALYSIS

Because of the convenience-oriented nature of the retail within the Study Area, and because the largest retail anchor is the Hy-Vee grocery store, we evaluated the overall retail tenancy of the Study Area by comparing it to the tenant mix of a typical neighborhood center. **Figure 13** lists the types of tenants frequently found in neighborhood shopping centers and Study Area tenants within each type.

Figure 13. Study Area Tenants and Tenant Types Frequently Found in Neighborhood Shopping Centers

Category	Tenant Type	Study Area Tenants Include:
General Merchandise	Dollar Store/Novelties	Family Dollar (2), The Hut, Salvation Army Family Store
Food	Supermarket	Hy-Vee, No Frills Supermarket
Food Service	Restaurant	Bluffs China Buffet, Godfather's Pizza, Jonesy's, Juventino's, Sam's Italian, Village Inn
	Coffee/Tea	Scooter's Coffee
	Sandwich Shop	Jimmy John's, Subway
	Donut Shop	Krispy Kreme, Dunkin Donuts
	Pizza (Fast Food)	Domino's, Little Caesar, Papa Murphy's Pizza
	Chinese Fast Food	China Wok
	Other Fast Food	Arby's, Burger King (2), Dairy Queen, KFC, McDonald's, Popeyes, Runza, Sonic, Taco Bell, Taco John's, Wendy's,
Other Retail	Drugstore/Pharmacy	Walgreens
	Liquor/Wine	N/A
	Specialty Retail	Comic City, Radio Shack
	Telephone/Telecom Store	Boost Mobile, US Cellular, Cricket, Verizon Wireless (opening soon)
Personal Service	Hair/Beauty Salon	Attitudes Salon, Great Clips, Hair Masters, Salon De Belleza (Mayra's), Shear Attitudes
	Nail Salon	Star Nails
	Dry Cleaner	Max Walker
	Mailing/Packaging	UPS Store
	Other Services	CPR Computer Repair, Classical Tats, Little Bro's Tattoo, Sunny Side Up Tanning Salon
Financial	Bank	American National (2), First National Bank, TS Bank, United Credit Union, US Bank
	Insurance	Farmers Insurance Group, Jackson Hewitt, State Farm
	Taxes	H& R Block, Liberty Income Tax
Offices (other than Financial)	Medical and Dental	Broadway Family Dentistry, Wahl Optical, West Broadway Clinic

Source: ICSC Dollars and Cents of Shopping Centers, 2008, *SB Friedman Development Advisors*

Overall, the Study Area has several tenants of each type most frequently found within a neighborhood shopping center. However, there may be some tenant types in keeping with the neighborhood shopping center model that could be added to the Study Area. These include:

- **Tenant Types that Exist within Study Area but May Be Under-Represented.** There are a few tenant types (nail salons, coffee and tea shops) that may be under-represented; there may be

potential to add one additional tenant for each type. In addition, the Study Area lacks a dedicated liquor and wine store.

- **Fast-Casual Dining Options.** The mix of restaurants within the Study Area primarily includes national chain fast-food restaurants and a few local dining establishments. It lacks a fast-casual chain restaurant that offers a wider menu than fast food, but does not offer table service (e.g., Panera and Chipotle). Brokers have indicated a high interest in available fast-food restaurant sites from national chain restaurants, but it is not known whether fast-casual restaurants would locate within the Study Area at this time.
- **Other Neighborhood Center Tenants.** Tenant types that occur less frequently in neighborhood shopping centers but may be absent or under-represented within the Study Area include:
 - Ice Cream Parlors
 - Health or Fitness Clubs
 - Bowling Alleys
 - Discount Apparel
 - Specialized Home Improvement Stores (e.g., tile or fixture sales)
 - Cosmetics or Beauty Supply Stores
 - Daycare Centers
 - Martial Arts or Dance Studios

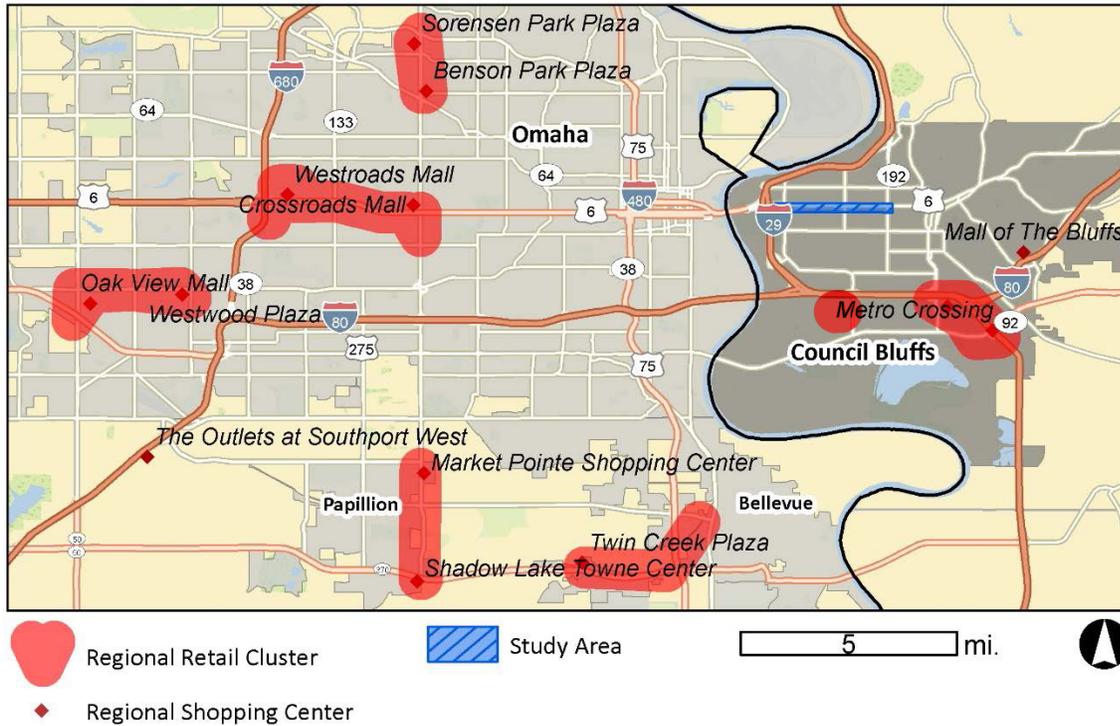
Competitive Supply

REGIONAL RETAIL CENTERS

Regional retail malls and power centers in Omaha and Council Bluffs are typically located close to interstate highways and along major connector roads, as shown in **Figure 14** on the following page. Within this area, most of the regional retail centers are located south and west of the Study Area near Interstate 80 (“I-80”).

- **Regional malls**, including Crossroads Mall and Mall of the Bluffs, have large GLAs, but are less regionally significant due to relatively high vacancy, loss of anchors, and age. However, Westroads Mall has relatively low vacancy and multiple anchors, including JC Penney, AMC Theaters and Younkers.
- **Power centers**, the primary regional retail centers, are large shopping centers with up to 600,000 square feet of GLA and three or more large anchors, including discount department stores and other large chain retailers. They are typically located on 25- to 80-acre sites, according to the International Council of Shopping Centers (“ICSC”). Sorenson Park Plaza, Lake Manawa Power Center/Metro Crossing Area and other power centers in **Figure 14** were built or renovated since 2005.

Figure 14. Selected Regional Retail Clusters and Major Centers



Source: CoStar, Esri, SB Friedman Development Advisors

The large retail shopping clusters in Council Bluffs, including Lake Manawa Power Center, are located close to the interstates, and the majority are located south and east of downtown Council Bluffs. In addition to the existing supply of retail clusters, the lack of large available sites for development, the lack of direct access from the interstate, and the presence of a newly-constructed power center, Metro Crossing, to the south and east of the Study Area, limits the feasibility of developing a regional retail center within the Study Area.

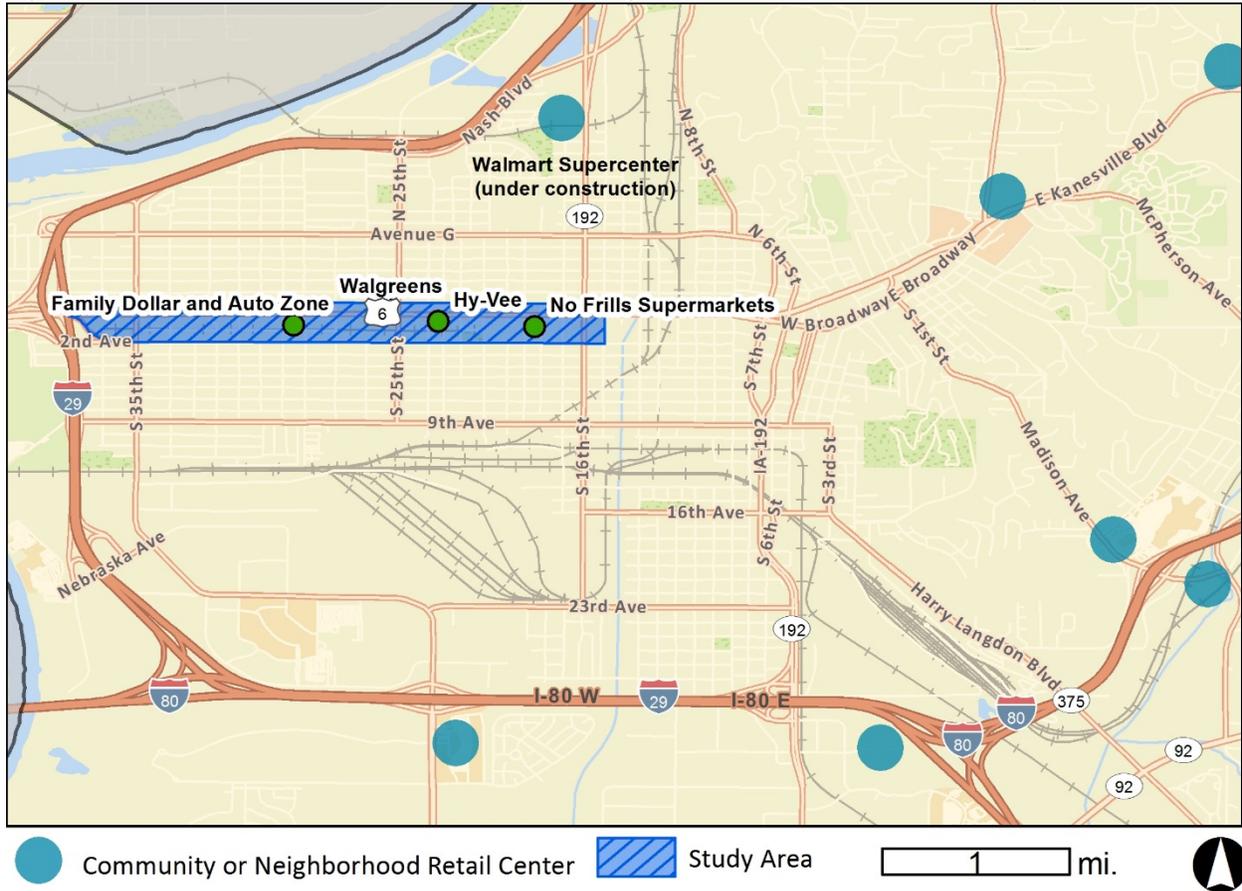
COMMUNITY AND NEIGHBORHOOD RETAIL CENTERS

Below the regional level, community and neighborhood retail centers provide retail goods and services, including groceries, general merchandise and personal services. According to ICSC classifications, the following are characteristics of community and neighborhood centers:

- **Community centers** may have up to 400,000 square feet of GLA and two or more anchors, including discount stores, supermarkets and large specialty retailers. They typically require sites of 10 to 40 acres.
- **Neighborhood centers** typically serve smaller market areas. Tenants are usually convenience-oriented, have between 30,000 and 125,000 square feet of GLA, and are anchored by a supermarket. They are typically on three- to five-acre sites. A supermarket anchor provides a shopping center with a regular flow of customer traffic, and supports smaller convenience retailers, small specialty retailers, and service providers, such as hair and nail salons. Supermarkets also typically locate close to residential neighborhoods in order to reach their customer base.

Figure 15 below shows the location of community and neighborhood shopping centers in Council Bluffs, as well as the location of neighborhood center anchors within the Study Area. Also shown in Figure 15 is the Walmart Supercenter-anchored Bluffs Northway Shopping Center that is currently under construction.

Figure 15. Selected Council Bluffs Community and Neighborhood Retail Centers and Study Area Anchors



Source: CoStar, Esri, SB Friedman Development Advisors

The majority of community and neighborhood centers in Council Bluffs are located west of Iowa State Road 192. North of the Study Area, a Walmart Supercenter (which will have a grocery component) is under construction at the new Bluffs Northway Shopping Center. In addition, there are two grocery stores, a Hy-Vee and No-Frills, a discount grocery store, located within the Study Area. The Study Area also has one neighborhood-type shopping center with a Family Dollar and an Auto Zone. The competitive supply of supermarkets and large convenience retailers within the vicinity of the Study Area may indicate that potential is limited to develop a new neighborhood center. However, there may be opportunities to leverage existing convenience and grocery anchors to support other retail development within the Study Area, or to construct neighborhood-oriented retail with nontraditional anchors.

Discussion and Conclusions

STRENGTHS AND CHALLENGES IN THE CURRENT RETAIL MARKET

The retail market within Council Bluffs and within the Study Area has a number of strengths that may indicate a growing potential for retail development. These include:

- **Recent and Ongoing New Retail Development.** A number of recent retail developments, both within and outside the Study Area, may signal a willingness among developers to invest in Council Bluffs. The City has been engaged in a number of deals, providing financial incentives, site preparation assistance and other assistance, as needed, to developers. The ability of the City of Council Bluffs to continue to work with and support private developers will likely be necessary to encourage additional retail development within the Study Area.
- **New Anchors for the West Broadway Corridor.** Recent new developments in the Study Area, including those listed in the "Study Area Conditions" section above as well as the Alegent Creighton Clinic, a new medical office and clinic that opened in 2014 (discussed further in the following chapter), indicate a growing interest in redevelopment along the West Broadway Corridor. Activity-generating tenants/users like the Hy-Vee, the medical clinic and Thomas Jefferson High School may serve as non-traditional anchors for additional nearby retail development.
- **Few Retail Services in Downtown Omaha.** Conversations with brokers indicate that residents in downtown Omaha travel across the river to shop at the Hy-Vee in the Study Area because of a lack of larger grocery store options in or near downtown Omaha. In addition, one broker speculated that the new Walmart Supercenter at the Bluffs Northway Shopping Center may draw customer traffic from Omaha. There may be an opportunity to capture additional spending from these customers traveling from Omaha.
- **Older Existing Inventory of Retail Space.** The age of the existing retail structures within the Study Area may not appeal to retail tenants looking for newer spaces with higher-quality design and lower operating expenses. However, there appear to be a number of retail tenants that do not require modern space, and prefer to pay lower rents within the Study Area.

Despite these strengths, there may be challenges in attracting additional anchors to support retail development in the Study Area, as described below.

- **Large Number of Competitors Present within the City.** There are several large shopping centers in Council Bluffs that are not located near the Study Area; however, many potential retail anchors are already established in those locations, or would be likely to locate near existing retail centers. The construction of a new Walmart Supercenter to the north of the Study Area further limits the likelihood of attracting smaller anchor tenants to the Study Area.
- **Suitability of the Study Area.** There are perception issues that may limit the appeal of the Study Area to retailers and thus developers. Site conditions pose a further barrier to redevelopment. Infill development is typically more expensive than greenfield development due to demolition, remediation and other site preparation costs. As discussed in Chapter 3, most parcel depths

within the Study Area may be too shallow to support modern larger anchor tenants, and multiple ownerships may make site assembly difficult. Finally, when considering new locations, larger retailers and regional retail centers tend to prefer higher traffic counts (around 30,000 to 40,000 AADT). Along with land constraints, current traffic counts may limit the scale of bigger box national chain retail that is feasible in the Study Area in the near term.

Based on these strengths and challenges, we have outlined the level of development that may be feasible within the Study Area in the near term (5 years) and the long term (10 to 20 years).

NEAR-TERM RETAIL POTENTIAL

In the next five years, the Study Area may support some additional retail development. The construction of one or two new strip retail centers, similar in design, size and layout to the recently-opened River City Plaza, may provide an opportunity to upgrade some of the existing retail inventory on the West Broadway Corridor without significantly increasing the total square footage of retail within the area. Based on the analysis of neighborhood retail tenants above, the Study Area may be able to accommodate between 10,000 and 40,000 square feet of new or rehabilitated retail in the short term. Potential tenants for this space include nail salons, hair salons, fast casual and other dining options. The level of development will likely depend on the following:

- **Rents and Marketability.** Particularly because of the high costs of new construction and infill redevelopment, attractive new retail developments are likely to require rents at the highest end of the market in order to be financially feasible.
- **New Anchors.** To support a new retail project, one or more anchors may be required. These anchors may be a junior box or general merchandise retailer, although many of these are likely to locate close to larger retail centers. In the near term, other activity generators, including fitness centers, discount apparel stores and bowling alleys, might serve as suitable anchors for neighborhood-oriented retail.
- **Opportunities for Office Users.** It is possible that some office users, including medical and professional offices, may be suitable tenants for existing storefront retail space in the Study Area. Chapter 7 further explores this possibility.

LONGER-TERM RETAIL POTENTIAL

In the long term, due largely to physical constraints and the existing retail pattern, the Study Area is unlikely to become a major regional retail destination. However, there may be opportunities to grow a neighborhood and community-level retail corridor with new development including two to three neighborhood shopping centers or a mix of neighborhood and community shopping centers as part of a mixed-use development strategy.

This longer-term potential for additional retail development is currently impacted by three major current constraints to further retail development:

- Level of incomes in western Council Bluffs;
- Limited current accessibility of the corridor from the interstate; and

- Some negative market perceptions.

In the long term, transformative corridor redevelopment, including improvements to the transportation infrastructure (e.g., reconfigured interstate access and new transit potential within the corridor), has the potential to help mitigate these challenges.

Successful development of new, higher-priced housing products, both at Playland Park and in the Study Area, may enhance the desirability and population density of the surrounding neighborhoods. This could lead to an increase in spending power as well as an increased demand for high-quality retail and dining options along the West Broadway Corridor.

Accessibility enhancements that create better linkages between Omaha and Council Bluffs may increase the attractiveness of the corridor to larger retailers. Real estate brokers confirm that developers' and retailers' perceptions of Council Bluffs on the whole are already improving; as the corridor redevelopment progresses, it may continue to alter perceptions of the west Council Bluffs area.

Should these challenges be successfully addressed, new retail development could include one or more "junior box" or general merchandise retailers. These retail tenants might include discount and specialty retailers, such as DSW, Burlington Coat Factory, TJ Maxx, and pet stores or office supply stores. Other new tenants might consist of upgraded dining options, including fast casual and sit-down family restaurants. These dining tenants, in particular, could occupy a more urban physical form with fewer off-street parking spaces if transit or bike trail improvements are made along 1st Avenue.

7. Office Market Potential

This chapter evaluates the market potential for two types of office development, corporate office space and medical office. Professional office users, including tax preparation businesses and insurance agents that typically locate in retail spaces, are considered in the previous chapter.

Study Area Context

MEDICAL OFFICE

Like community- and neighborhood-serving retail, medical office tends to locate near its customer base. Thus, medical office space tends to follow the locational patterns of retailers. There are three large medical office buildings within the Study Area, all of which are fully occupied. These include:

- **Jennie Edmundson Health Center West**, 3434 W. Broadway St. This medical office suite was built in 1986 and has approximately 9,000 square feet of leasable area, according to CoStar. Tenants include Council Bluffs Urology, Bluffs Family Healthcare, and Jennie Edmundson Physical Therapy.
- **Alegent Creighton Clinic**, 3135 W. Broadway St. This 16,400-square-foot medical office and clinic was built in 2014, according to CoStar. It provides a range of medical services, including primary and urgent care, pediatric medicine, physical therapy, and a pharmacy.
- **West Broadway Clinic**, 1701 W. Broadway St. This clinic has been open since 2008, and occupies approximately 14,400 square feet of space. It provides family medicine, including pediatrics and internal medicine, as well as treatments for diabetes, obesity and endocrine health. The clinic also has on-site X-Ray facilities.

In addition to these three medical office centers, there are several smaller medical offices throughout the Study Area. These are located in buildings built prior to 1970 and consist of small, specialized practices, including dentistry, podiatry and chiropractic care.

CORPORATE OFFICE USERS

There are no corporate office users located in the Study Area. There has been some interest from corporate office users in potentially locating at Playland Park.

OTHER OFFICE TENANTS

Other office tenants within the Study Area include small professional offices, such as law firms, certified public accountants and taxi dispatch centers. In general, these spaces are approximately 3,000 square feet or smaller, and in buildings that are at least 30 years old. The vacancy of these buildings is relatively low. Some of these offices are located in buildings that may have been built for use as retail. Other non-retail uses in retail spaces include: Mobilis, a medical equipment distribution business, which occupies several small storefronts; Octapharma Plasma Center, a plasma donation center that occupies several

older retail spaces; computer repair centers; and job centers. These businesses may prefer older retail spaces due in part to the lower rents.

Competitive Supply

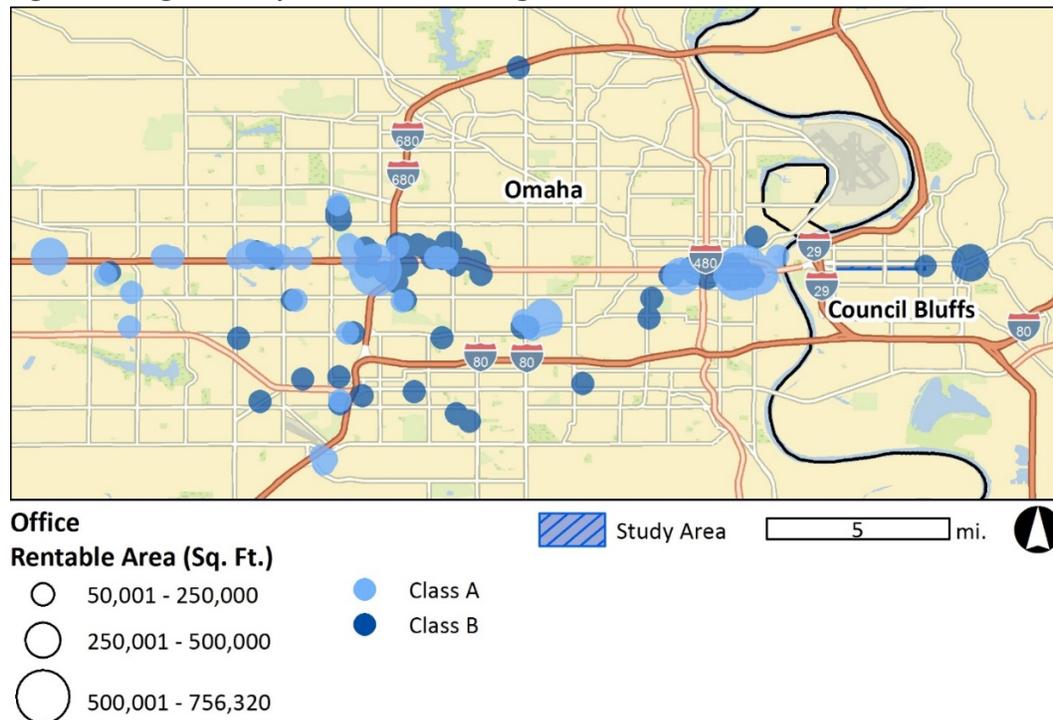
REGIONAL CORPORATE OFFICE BUILDINGS

Regionally, the major office buildings are located in Omaha, both downtown and outside of central Omaha along West Dodge Road. **Figure 16** shows the location of Class A executive office space and Class B office space in Omaha and Council Bluffs. According to CoStar, Class A office space is generally defined as an investment-grade property with high-quality design, systems and amenities. Class B office is more utilitarian with ordinary finishes. In Omaha, large Class A office developments include single-tenant office headquarters and multi-tenant executive office space. Many of these spaces are built-to-suit, though some are also the result of more speculative development activity. Large executive office developments typically locate based on the preferences of office users, including:

- Accessibility to the labor force, either by locating near the homes of office workers or along major roads or transit centers that are accessible to office workers;
- Amenities, including nearby restaurants and/or appealing physical environments (either within an office park or a downtown); and
- Proximity to clients and/or courthouses (for attorneys).

Historically, there has been a limited amount of demand for Class A office space in Council Bluffs. This appears to have been driven largely by the high level of amenities and accessibility available in Omaha.

Figure 16. Regional Corporate Office Buildings



Source: CoStar, Esri, SB Friedman Development Advisors

According to CoStar, Council Bluffs does not have any Class A office space. Rents for office space in Council Bluffs are substantially lower than in Omaha (**Figure 17**). New office development activity has also been concentrated in Omaha; since 2007, there have been 77 new office developments in Omaha, representing over 4 million square feet of additional office space. In Council Bluffs, only 57,500 square feet of new office space have been developed in the same time period. However, office space absorption in Council Bluffs has exceeded new development, so office vacancy is relatively low at approximately 6.3%. This may indicate limited growth in demand for office space within Council Bluffs, or demand for relatively inexpensive office space within the region.

Figure 17. Corporate Office Retail Market Performance: Council Bluffs and Omaha

	Council Bluffs	Omaha
Current Total Rentable Building Area (square feet)	1.4 Million	38.5 Million
2014 Avg. Vacancy Rate	6.3%	7.7%
2014 Average Rent/SF	\$9.65	\$16.31 (\$15.26 excluding Class A)
New Development 2007 – 2014 Square Feet	57,500	4.0 Million
Buildings	6	77
Total Net Absorption 2007 – 2014 (SF)	152,600	3.6 Million

Source: CoStar, SB Friedman Development Advisors

Office space in Omaha commands a significant rent premium over space in Council Bluffs, even when comparing Class B office space only. It is not clear if rents are lower because the existing office space is older on average, or because of other factors that may limit the attractiveness of Council Bluffs to office users. If the latter is true, it may limit the financial feasibility of new office development within the Study Area; new office users would likely be “wild card” tenants. The average rental rates in **Figure 17** include a mix of net and gross rents, as available in CoStar.

CORPORATE OFFICE MARKET WITHIN COUNCIL BLUFFS

The majority of office space within Council Bluffs is located downtown, and consists of older buildings. The large office buildings located in downtown Council Bluffs include the Omni Center Business Park, 25 and 35 Main Place, and the Qwest Kaneshville Office Suites (see **Figure 18**). Vacancy rates and asking rents vary widely between these buildings.

Figure 18. Larger Office Buildings in Council Bluffs

	Address	Year	Total SF	Vacancy Rate	Asking Rent/SF
Omni Centre Business Park	300 W. Broadway	1973	400,000	4.6%	\$9.00
35 Main Place	35 Main Place	1975	109,959	0.0%	N/A
Qwest Kanesville Office Suites	310 W. Kanesville Blvd	1982	84,412	19.9%	\$9.50
25 Main Place	25 Main Place	1975	42,007	0.0%	N/A
500 W. Broadway [1]	500 W. Broadway	1890	36,000	92.1%	\$10.00
535 W. Broadway	535 W. Broadway	1987	35,700	3.1%	\$18.68
US Bank Building	421 W. Broadway	1968	30,940	0.0%	N/A

Source: CoStar, Loopnet, *SB Friedman Development Advisors*

[1] This building needs substantial code upgrades in order to be used as office space.

Downtown Council Bluffs has an existing concentration of office space, but the age of the existing office buildings may limit their marketability. One high-vacancy downtown office space requires substantial upgrades to meet basic code standards before it can be leased; a conversation with the broker for this property indicated that they would require interest from a large office user- one who would lease at least 5,000 square feet- before making this investment. However, brokers indicated that the relatively low office rents in downtown Council Bluffs may be a draw for smaller office tenants within the region, particularly if newer office space were available. At least one new office development is in the planning stages in downtown Council Bluffs. This new development is expected to require some public assistance in order to meet feasibility and marketability thresholds. In addition, there is some office space planned in Playland Park. Corporate office users have tentatively expressed interest in this planned space. The willingness of developers to invest in new development may indicate that the age of existing office space in Council Bluffs is more of a barrier than its location, and that there may be opportunities to attract office tenants to downtown.

Based on interviews with real estate brokers, it seems possible that within a few years the Council Bluffs market may absorb additional office space, primarily due to leasing by small tenants. However, there appears to be sufficient available office space available or planned downtown to accommodate most of this leasing activity.

Demand

As outlined above, corporate office users tend to prefer space in higher-amenity areas that are accessible to labor markets and conveniently located for executives. However, demand for non-executive office space can be approximated using local employment data.

Employment projections for Council Bluffs indicate limited projected growth in the types of sectors that might typically occupy office space (**Figure 19**). One of the key drivers of demand for medical office space use is employment in certain NAICS code sectors such as health care and social assistance. These sectors have experienced employment growth within Pottawattamie County over the last several years. “Office sectors” including information, professional services and management account for almost 10% of total employment within Council Bluffs, and have had some local employment growth within the past 10 years. Overall, local employment data does not indicate a large or growing demand for office space within Council Bluffs, but may not preclude the possibility of future growth in demand.

Figure 19. Council Bluffs Employment by Real Estate Type

Real Estate Type	NAICS Sectors	Employment, 2011	Percent of Total Employment, 2011	County Employment CAGR, 2003 - 2013
Medical Office	Health Care and Social Assistance	4,135	14.8%	2.3%
Corporate Office Sectors	Information Finance and Insurance Real Estate and Rental and Leasing Professional, Scientific and Technical Services Management of Companies and Enterprises Administration & Support, Waste Management and Remediation	2,740	9.8%	0.8%

Source: LED OnTheMap, Bureau of Labor Statistics, *SB Friedman Development Advisors*

The broker for the River City Plaza retail development has indicated that they may pursue some specialty medical tenants, including physical therapy and opticians, because they may be able to pay the higher rents the new shopping center requires. In the near term, the potential demand for office space within the Study Area is likely to be limited to this sort of small, storefront medical or professional office use within retail developments, unless a wild card user makes an institution-specific decision to locate in the Study Area (similar to the one made recently by Alegent).

Discussion and Development Opportunities

FACTORS INFLUENCING OFFICE DEVELOPMENT

The growing occupancy rates of office space within Council Bluffs may indicate an increased willingness for office users to locate within the City. However, the opportunities for new medical and corporate office development within the Study Area are likely limited. Below, we consider the factors that may influence the potential for office development within the Study Area.

- Competition with Downtown Council Bluffs and Playland Park.** In both the near term and the long term, any large corporate office development on the West Broadway Corridor would have to compete at some level with existing product in downtown Council Bluffs. In addition, planned office development in Playland Park may be a further source of competition for corporate office tenants.
- Marketability of Office Space.** In the Study Area as well as in downtown Council Bluffs, a careful balance must exist between the desirability and affordability of office space. As indicated above, Council Bluffs may be able to compete with downtown Omaha for smaller office tenants because of its comparably low rents, but the age of existing office buildings may reduce the desirability of this space. New development requires higher rents, and may thus require public assistance to keep rents competitive.
- Wild Card Potential.** In any market, there is always the possibility of a “wild card” user. There could be a new, large corporate or medical office user that prefers to locate in Council Bluffs and wants to build or renovate office space on West Broadway for its own use. Although this is a

possibility, we cannot project the scale and timing of such a user. In addition, especially for a corporate office user, should such a user come forward and request City financial assistance, the City would have to carefully consider the potential catalytic benefits of having that tenant locate in the Study Area versus the benefits of them locating in Playland Park or downtown Council Bluffs.

Based on these factors, we have outlined the level of office development that may be feasible within the Study Area in the near term (5 years) and the long term (10 to 20 years).

NEAR-TERM DEVELOPMENT OPPORTUNITIES

- **Corporate Office.** It is unlikely that there will be a significant demand for newly constructed office space in the Study Area in the next five years.
- **Medical Office.** Health care is a growing industry, and there may be additional opportunities for new medical office in the Study Area. However, there has been substantial recent development of medical office within the Study Area, including the construction of the Alegent Creighton Clinic earlier this year. It is unclear how much additional medical office the market can support within the next five years. Most new medical office users would likely be specialty practices rather than large clinics.

As mentioned above, wild card office users of both sorts may come to the Study Area in the near term, but we cannot project the timing or scale due to the unique nature of such users.

LONGER-TERM DEVELOPMENT OPPORTUNITIES

- **Corporate Office.** In the longer term, particularly if new office development in Playland Park and/or downtown Council Bluffs is successful, there may be additional opportunities for office development along the West Broadway corridor. A significant redevelopment effort that included residential and commercial development could produce a mixed-use district that meets both the amenities and labor force requirements of corporate office users, leading to demand for corporate office space within the Study Area. However, it seems likely that downtown Council Bluffs will remain the primary office center in the City. New office users in the Study Area would likely be “wild card” tenants. It is therefore difficult to estimate the potential scale of new corporate office demand.
- **Medical Office.** Should the Study Area achieve substantial population and income increases, some increased demand for medical office space would likely follow.

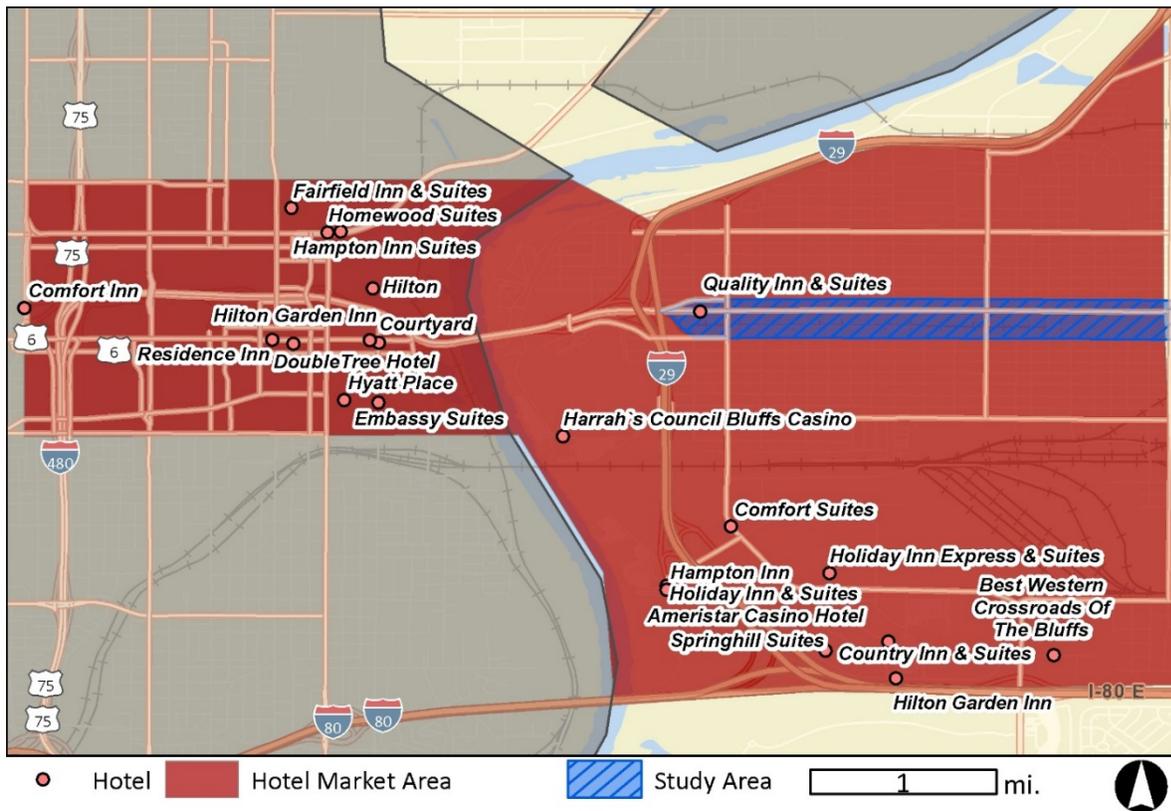
8. Hotel Market Potential

To evaluate the market potential for hotel development within the Study Area, *SB Friedman* considered the current development and business conditions of hotels within western Council Bluffs and downtown Omaha. Based on these factors and information about planned improvements to the interstate adjacent to the Study Area, we projected the near-term and longer-term potential for new hotel development within the Study Area.

Hotel Market Context

The area we considered for the hotel market analysis (the “Hotel Market Area”) consists of downtown Omaha and western Council Bluffs, as shown in **Figure 20**. It contains 22 midscale, upper midscale, and upscale/upper upscale class hotels.

Figure 20. Hotel Market Area



Source: Smith Travel Research, Esri Business Analyst, *SB Friedman Development Advisors*

LOCATIONAL CHARACTERISTICS

Hotels are located throughout downtown Omaha, but are concentrated along 10th Street, which is on the east side of downtown and near Omaha’s Old Market. Within western Council Bluffs, hotels are concentrated along the interstate, and close to exits at South 24th Street and Nebraska Avenue. There is one hotel in the Study Area, the Quality Inn and Suites, which is located near I-480.

The current lack of access to the Study Area from I-29 likely substantially limits the Study Area potential to capture additional hotel development. However, proposed improvements to the I-29 and I-480 interchange have the potential to significantly increase the accessibility of the Study Area from the interstate, and improve its competitive location as a hotel development site.

MARKET PERFORMANCE

Data from Smith Travel Research indicates healthy market performance within the Hotel Market Area. Since 2007, seven new upscale or upper midscale class hotels have opened within the Hotel Market Area. Three hotels with a total of 416 “keys” have opened in western Council Bluffs, including the Hilton Garden Inn, Holiday Inn and Suites, and Springhill Suites. **Figure 21** below summarizes the occupancy rates, Average Daily Rates (ADR) and Revenue per Available Room (RevPAR) of hotels within the Hotel Market Area.

Figure 21. Hotel Market Performance

	2008	2009	2010	2011	2012	2013	2014 [1]
Number of Hotels	19	20	20	20	20	22	22
Occupancy Rate	71.8%	67.6%	71.3%	70.5%	70.8%	69.2%	71.9%
ADR	\$110.99	\$98.89	\$96.97	\$97.31	\$108.17	\$110.32	\$113.92
RevPAR	\$79.65	\$66.87	\$69.13	\$68.63	\$76.59	\$76.39	\$81.86

Source: Smith Travel Research, *SB Friedman Development Advisors*

[1] 2014 Data as of November 2014.

Occupancy rates, ADR and RevPAR levels have been increasing in recent years, and have returned to or exceeded pre-recession levels. Average annual RevPAR as of November 2014 was \$81.86, indicating a relatively high level of revenue for hotels in downtown Omaha and western Council Bluffs. Occupancy rates above 70% are relatively high.

Discussion and Development Opportunities

Hotel market performance metrics indicate strong demand for hotels within the Hotel Market Area. However, given the current relatively poor interstate access experienced by the Study Area, we do not see substantial market potential in the near term. The planned interstate improvements and other major infrastructure improvements, along with continued increases in hotel occupancy and RevPAR could lead to increased demand and create opportunities for new hotel development within the Study Area. The timing of these changes will likely directly impact the timing of new hotel development.

NEAR-TERM DEVELOPMENT OPPORTUNITIES

If the interstate improvements are constructed within five years, there could be demand for one 100 to 150 key midscale or upper midscale hotel in the Study Area within the near term.

LONGER-TERM DEVELOPMENT OPPORTUNITIES

In the longer term, there may be potential for a second midscale or upper midscale hotel within the Study Area, although this is also dependent on the completion of the planned interstate improvements.

9. Summary of Findings

The results of the real estate market analysis are summarized by land use in **Figure 22** below.

Figure 22. Summary of Market-Driven Findings

Residential	
Market Challenges	Market Strengths
<ul style="list-style-type: none"> Existing single-family residential development in the “West End” neighborhood is generally smaller in scale and inexpensive compared to the rest of Council Bluffs. The area is currently less desirable to higher-income households. Relatively low land values and a lack of amenities that appeal to attached home buyers make townhome and condo development challenging. Demographics within the Study Area indicate relatively low incomes and limited population growth. The majority of existing rental housing, including multi-family market-rate, multi-family affordable, and senior housing, is low-rise and auto-oriented. 	<ul style="list-style-type: none"> Occupancy at existing rental housing properties is relatively high overall. The senior population in Council Bluffs is expected to grow, which may increase demand for affordable senior housing.
Retail	
Market Challenges	Market Strengths
<ul style="list-style-type: none"> Established regional retail centers are located outside the Study Area. Larger retail tenants typically choose to locate in these newer, high-accessibility retail centers. The prevalence of automotive service, payday loan, and check cashing businesses may limit the desirability of the corridor for both consumers and retail tenants. 	<ul style="list-style-type: none"> Recent retail development within the Study Area, including a new Hy-Vee grocery store and a new strip center, indicate a willingness to invest in the West Broadway Corridor. New and existing activity-generators, including a grocery store, high school and medical clinic, may act as anchors for retail development.
Office	
Market Challenges	Market Strengths
<ul style="list-style-type: none"> Council Bluffs is not a corporate office center. New medical office development may have consumed much of the demand in the near term. 	<ul style="list-style-type: none"> Office vacancy within Council Bluffs is relatively low overall. New medical office developments have been built within the Study Area.
Hotel	
Market Challenges	Market Strengths
<ul style="list-style-type: none"> The Study Area is not easily accessible from I-29. There is a significant existing inventory of hotels within the Hotel Market Area. 	<ul style="list-style-type: none"> The planned interstate improvements may increase the locational advantage of the Study Area for hotel development. Occupancy rates and RevPAR are growing, even as new hotels are built within the Hotel Market Area.

Within the next 5 years, there may be limited opportunities for development along the West Broadway Corridor. Over the next 10 to 20 years, the redevelopment of the West Broadway corridor may continue to shift market perceptions of western Council Bluffs. If early redevelopment projects and large, transformative infrastructure investments, such as the planned interstate reconfiguration and new transit access or, to a lesser extent, a pedestrian/bike trail amenity and other community facilities, are successful, there may be more transformative longer-term opportunities for additional development in the Study Area. **Figure 23** provides an overview of the development that may be feasible in the Study Area within these two timeframes.

Figure 23. Summary of Near-Term and Longer-Term Development Opportunities

Residential	
Near-Term Development Opportunities (5 Years)	Longer-Term Development Opportunities (10 to 20 Years)
<p>One multi-family rental housing development with between 30 and 60 units, in a mid-rise building (three to four stories) may be possible. This development would likely have surface parking, and may require City TIF funding or other financial assistance.</p> <p>A new affordable housing development is likely to be feasible, but may not be desirable given the existing supply of affordable housing nearby. If affordable multi-family housing is developed within the Study Area, it could be located in a mid-rise building (three to four stories) and would likely have surface parking.</p> <p>One affordable senior housing development with between 40 and 80 units, in a mid-rise building (three to four stories) with surface parking may be feasible. It is unknown whether City TIF assistance might be required to facilitate this development. However, should structured parking be required, City TIF or other assistance would likely be necessary. There may also be an opportunity to construct affordable senior rental cottages. This development may also require City assistance.</p> <p>In addition, there may be opportunities for the development of smaller site(s) with single-family detached or affordable rental townhome units. Such development would likely require public assistance.</p>	<p>As perceptions and market preferences change, there may be an opportunity to develop a larger residential neighborhood with four to six new apartment buildings located near transit and other amenities. A higher amenity level and stronger housing market may support the development of multiple residential development types, including multi-family market-rate and affordable rental apartments in mid-rise buildings, affordable senior rental housing, and townhome or condominium units.</p>
Retail	
Near-Term Development Opportunities (5 Years)	Longer-Term Development Opportunities (10 to 20 Years)
<p>One or two new convenience centers or small neighborhood centers, with anchors such as a fitness center or discount apparel store, totaling between 10,000 and 40,000 square feet of leasable area, and potentially including some relocations of current tenants to more contemporary buildings, is feasible.</p>	<p>As perceptions change, corridor improvements are made, and residential densities and incomes increase, there may be an opportunity to develop up to two or three neighborhood or community retail centers as part of a mixed-use district with one or more “junior box” or general merchandise retailers. New larger</p>

<p>This development may require City TIF or other financial assistance depending on the site(s).</p>	<p>tenants might include discount and specialty retailers such as DSW, Burlington Coat Factory, TJ Maxx, and pet stores or office supply stores. New tenants might also include upgraded dining options, including fast casual and sit-down family restaurants. The restaurant tenants in particular may occupy a more urban format once any transit or trail improvements have been made.</p>
Office	
Near-Term Development Opportunities (5 Years)	Longer-Term Development Opportunities (10 to 20 Years)
<p>Wild card users may materialize (either for medical office or corporate office), but the timing and scale of those users cannot be projected at this time.</p>	<p>As a result of other development efforts, which increase amenity levels and bring more office employee-appropriate housing to the Study Area, there may be some opportunities to integrate additional office uses into the corridor. New office users in the Study Area would likely be “wild card” tenants. It is therefore difficult to estimate the potential size of new office development.</p>
Hotel	
Near-Term Development Opportunities (5 Years)	Longer-Term Development Opportunities (10 to 20 Years)
<p>If the interstate improvements are constructed within five years, there could be demand for one 100 to 150 key midscale or upper midscale hotel in the Study Area within the near term.</p>	<p>In the longer term, with interstate improvements, there may be potential for a second midscale or upper midscale hotel within the Study Area.</p>

Appendix: Limitations of Engagement

Our report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report or to reflect events or conditions that occur subsequent to the date of the report. These events or conditions include, without limitation, economic growth trends, governmental actions, additional competitive developments, interest rates and other market factors. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our study did not ascertain the legal and regulatory requirements applicable to this project, including zoning, other state and local government regulations, permits and licenses. No effort was made to determine the possible effect on this project of present or future federal, state or local legislation, including any environmental or ecological matters. Further, we neither evaluated management's effectiveness, nor are we responsible for future marketing efforts and other management actions upon which actual results will depend.

Our report is intended solely for your information and should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan or other agreement or any document intended for use in obtaining funds from individual investors.

Should you wish to indicate in an offering memorandum, prospectus or similar document that our firm prepared market and/or financial feasibility analyses regarding this project, the following statement may be used:

“In preparing its development plans and projections, the developer (or sponsor) conducted research and analysis, consulted various sources and obtained studies from third parties including *S.B. Friedman & Company*. The information, estimates and projections contained in this prospectus are the conclusions of the developer (or sponsor) after consideration of the various sources noted. The developer (or sponsor) alone is responsible for these conclusions.”

To obtain our permission to include this statement in a prospectus, we must be permitted to review the offering materials including, without limitation, the identity and backgrounds of all principals, the description of the project, the market and financial projections utilized, and the text of the materials. We will be compensated at our current hourly rates for the time required to conduct such reviews and to provide our consent. In no case does this permission include or imply the right to specifically cite the conclusions or recommendations of our report in such a document.