



MARKET DEMANDS IN DOWNTOWN

A Review of Markets for Development in the City Center



This chapter examines the size of the market for retail, office, and residential development in Downtown Council Bluffs. The market analysis process included a survey of the downtown retail district, informal interviews with various business owners and store managers, and identification of locations that influence the downtown commercial markets. It identifies a general market area that is likely to support downtown retail activity and includes demographic and socioeconomic data on conditions and trends of this market area. Finally, to determine the demand for various convenience and comparison related retail uses that can be supported in downtown, the process assessed retail sales trends and expenditure patterns of households in the market areas.

MARKET AREA DEFINITIONS AND RETAIL ANALYSIS

Downtown Council Bluffs, like the downtown areas of many other cities across the country, has lost its position as the city's main retail center. Retailers in the downtown have been buffeted by competition from regional shopping malls with expansive parking lots and indoor environments and by the growth of "big box" retailers that undercut the prices of smaller retailers. This trend started in the late 1950s and early

'60s and was in full swing by the end of the 1970s, when even the smallest of cities had a shopping center on the fringe and/or a major discount retailer such as K-Mart or Wal-Mart that was capturing the major portion of local retail sales.

However, over the past decade, there has been a resurgence of interest in the central areas of cities. The movement began in the nation's largest cities, where unique retailing environments attracted both tourist and local shoppers. But the trend has spread to small and medium-sized cities as shoppers have grown bored with the sameness of mall shopping environments and have started to seek out unique retailers located in more interesting locations. The traditional downtown areas of cities have proven to be an excellent location for this "new" retailing because they are, in most cases, still the center of government and have some additional concentrations of employment. Also, downtown is still the area that provides the community with a sense of place, a unique identity. Finally, among a younger generation that has grown up in anonymous suburban communities, central cities are considered the "in" place to live and shop.

The current planning effort for downtown Council Bluffs is thus very timely. While the renewed interest in cities may still be in its formative stages in Council



Bluffs, it is important to have an environment that is attractive to businesses and their patrons as the market develops. However, this revitalization effort must take on not only the problems normally facing downtowns in cities the size of Council Bluffs, but also the challenge of being overshadowed by the downtown of a larger city. Across the Missouri River, Omaha, Nebraska, having faced the same downtown problems as Council Bluffs, has already started the repositioning and revitalization process and is now well situated to take advantage of the resurgence of interest in cities. Thus, downtown Council Bluffs will not only have to develop a niche within its own territory; to some extent, it will also have to compete with, and distinguish itself from downtown Omaha.

MARKET AREAS

To estimate the potential retail demand that is available to Council Bluffs’ downtown retailers, AREA, Inc., market analysts for this plan, identified three geographic areas that represent primary, secondary,

and tertiary trade areas from which downtown retailers draw market support. Market areas are generally dictated by convenience/proximity, access, and potential drawing power. The primary market area is defined as the area from which the retailers are likely to draw the majority of their customers and sales. The primary market area will vary for different types of retailer establishments. Grocery stores, drug stores and similar establishments are referred to as “convenience” retailers. These stores sell items that are purchased on a weekly, if not daily basis. As the term implies, the customers are typically drawn to these retail outlets by how convenient they are to their home or place of work. Therefore, convenience stores typically have small trade areas.

Clothing stores, furniture and housewares stores, and similar establishments are referred to as comparison goods stores. Customers shop less frequently for comparison goods and are generally willing to travel greater distances to find a selection of merchandise. They typically compare goods on the basis of price, quality, and style. However, even for comparison goods, customers tend to make most of their purchases at stores that are closest to their homes, or that are easily accessed by major highways. Comparison goods stores benefit from clustering together. A group of three or four clothing stores together will attract more traffic than a single store standing alone. Thus, if Customer A initially drives to Store A but is unable to find what she is looking for, then she is more likely to stop at a competing store to spend her money if it is next door or close by. The stores thus benefit from each other’s presence.

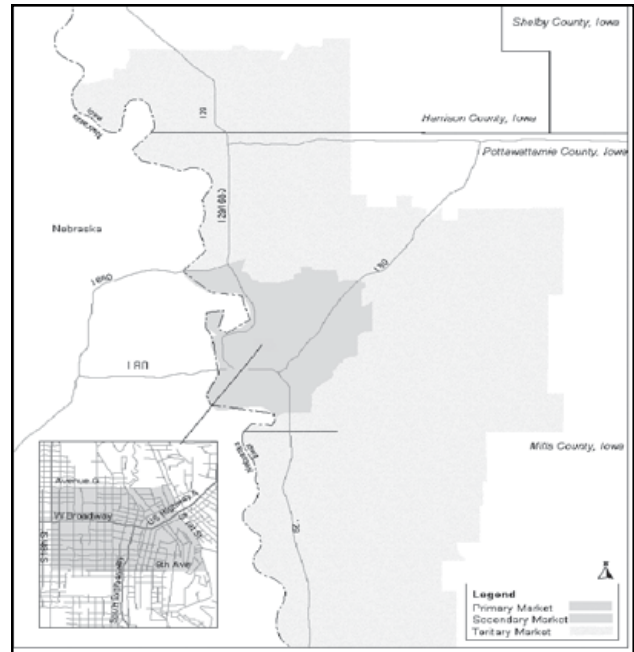
The third category of retailer, the specialty store, has a service or merchandise that appeals to a smaller segment of the population and is thus not readily found in other stores in the area. Although these stores may be located in concentrations of other shops, they do not benefit in the same direct way from traffic generated by other establishments. Their customers are drawn to them specifically for their product and will tend to find them wherever they are located. Bicycle shops, some hobby shops, musical instrument shops, and stores that sell dance shoes and apparel fall in the category of specialty shops. These stores typically have very broad trade areas. A music store in downtown Council Bluffs may, for example, find that it has few customers in the area that serves as the primary market for most of the downtown merchants.

Thus, its primary market area may coincide with the secondary market areas for most downtown stores.

Primary Trade Area. For this analysis, we have defined the primary trade area for downtown Council Bluffs as the central district and the residential areas immediately surrounding it. This approximately one-square-mile area is defined by Avenue G to the north, South 1st Street to the east, 9th Avenue to the south, and South 16th Street to the west. Because of their proximity to downtown, persons who live within this area are most likely to frequent downtown shops on a regular basis. The primary market also includes the approximately 4,000 persons who work in downtown and are thus there on a daily basis even though they may not live within the primary trade area. Persons living outside of this area are more likely to make frequent trips to shops in the retail strip along West Broadway or to travel to the malls and smaller retail centers around town.

Secondary Trade Area. The secondary trade area is defined as an area from which the merchants will draw a substantial portion, though not the majority, of their sales. Council Bluffs and areas within Pottawattamie County that surround the city serve as a secondary market for downtown retailers. This area extends about four miles north and three miles east of the city limits. Because downtown is the center of government for both the City and the County, many persons living in the secondary trade area will occasionally be drawn downtown to conduct business. Others from around the city will be attracted to the library or the YMCA. While downtown, these individuals will have an opportunity to shop in downtown stores. They may return to those stores in the future, but probably not on a regular basis. They are more likely to visit shopping centers with larger selections of merchandise and, presumably, more convenient parking, and to patronize downtown businesses only occasionally.

Tertiary Trade Area. The tertiary market extends 18 miles and 20 miles to the north and south, respectively, and approximately 10 miles to the east of the secondary area. This area covers portions of Harrison County, Mills County, and the eastern section of Pottawattamie not included in the secondary market. Interstates 29 and 80 provide convenient access from these areas into Council Bluffs. This area would fall



into either the primary or secondary trades areas for the Mall of the Bluffs of the Lake Manawa Power Center. Because the residents of this area are likely to be shopping in Council Bluffs on a regular basis, they may venture into downtown now and then, especially if there is a store downtown that offers goods or services not available at the large centers. (See Figure 1 for a map of the trade areas.)

Visitors from outside of the region are an additional source of potential sales for downtown businesses. In addition to individuals coming to the city on business, several million visitors are drawn to Council Bluffs each year by the Mid-America Center, the casinos, and other attractions. Some of these visitors eventually find their way downtown. While downtown merchants cannot survive on business from outside visitors, this traffic can potentially add 5% or more to total sales.

DEMOGRAPHIC PROFILE

The following section provides a discussion of the demographic and socioeconomic conditions and trends in the trade areas. Included in the discussion is general information on the market dynamics of the City of Council Bluffs as a whole.

Population Trends

Over the last four decades, Council Bluffs has seen cyclical changes in population. The city’s total population numbered 55,641 in 1960, peaked at over 60,000 in 1970, then fell to a three-decade low of approximately 54,600 by 1990. The ‘90s were a decade of recovery, as population increased by an average of 400 new residents per year, reaching 58,568 by 2000 for a 10-year gain of 7.3%.

Council Bluffs had an estimated population of 58,395 in 2002 and its population is projected increase to approximately 59,000 over the next four years. These estimates and projections are based on an analysis of past trends and general economic conditions within the community. Changes in the employment base of the community, public incentives to attract new investment, and other factors could cause changes in these trends.

The following table provides an analysis of recent and projected population changes in the market areas. Estimates show that more than 95,000 people live within the three market areas. Less than 10% of the population is represented in the primary market, 64% of the residents live in the secondary market, and 28% live in the tertiary market. As shown in Table 1, just over 7,500 persons, or approximately 13% of Council Bluffs’ population, currently reside within the primary market. This one-square-mile area is highly developed and is not expected to experience substantial population growth. During the ‘90s, the

population increased by less than one percent. Most of the population growth in the area is expected to occur at the fringes of the urban area.

Household Trends

In comparing population and households trends in Council Bluffs, we found that the number of residents moving into the city during the ‘90s was twice the number of new households; yet, the growth rates of new residents and households were fairly consistent at about 7% to 8%. As this suggests, there was, on average, very little change in the mix of persons per household, the average household consisted of 2.5 persons in 1990 and 2.6 persons in 2000. Overall, the total-households count increased by 8% during this time period.

The total number of households also increased in the combined market areas. However, there were about 180 fewer households in the primary market in 2000 than in 1990, a trend that is expected to continue into 2007. This pattern of decreasing households and increasing population suggests that the primary market is attracting more families than single-person households. Bearing this out, the average household size increased from 2.31 in 1990 to 2.47 in 2000.

Both the secondary and tertiary market areas gained households during the ‘90s This trend is likely to continue over the next four years. By 2007, the net increase of new households in both market areas will total 1,816. Thus, on an annual basis, it is expected

Table 4.1: Population Trends, 1990-2007, Downtown Retail Trade Areas

Time Period	Primary Market	Secondary Market	Tertiary Market	Total
1990	7,417	56,768	21,949	86,134
2000	7,470	60,679	25,112	93,261
Change 90-00	53	3,911	3,163	7,127
% Change 90-00	0.7	6.9	14.4	8.3
2002 (Estimate)	7,519	60,717	27,133	95,369
Change 00-02	49	38	2,021	2,108
% Change 00-02	0.7	0.1	8.0	2.3
2007 (Projection)	7,677	61,115	27,938	96,730
Change 00-07	207	436	2,826	3,469
% Change 00-07	2.8	0.7	11.3	3.7

Source: 1990-2000 U.S. Census (STF1); Claritas Inc.; and AREA, Inc.

Table 4.2: household Trends, 1990-2007

Time Period	Primary Market	Secondary Market	Tertiary Market	Total
1990	3,207	21,314	7,717	32,238
2000	2.31	2.66	2.84	2.67
Change 90-00	3,028	23,438	9,109	35,575
% Change 90-00	(179)	2,124	1,392	3,337
2002 (Estimate)	-5.6	10.0	18.0	10.4
Change 00-02	2.47	2.59	2.76	2.62
% Change 00-02	-.08	0.6	9.3	2.7
2007 (Projection)	2,991	24,057	10,343	37,391
Change 00-07	(37)	619	1,234	1,816
% Change 00-07	-1.2	2.6	13.5	5.1

Source: 1990-2000 U.S. Census (STF1); Claritas Inc.; and AREA, Inc.

that approximately 260 new households will move into these trade areas.

Aggregate Income

Household density and average household income determine the aggregate income or potential buying power of a market. Average income levels in the trade areas currently range from approximately \$38,000 to \$57,000 and the aggregate income of the combined market areas totals approximately \$2 billion. As shown below, more than \$114 million in expenditures are potentially available in the primary market, this represents 6% of the total estimated buying power of the combined trade areas. Projections show that by 2007, the aggregate income level of the primary market will total approximately \$140 million.

The population of the primary market area is less affluent, overall, than the population of the secondary and tertiary trade areas. This factor, as well as the declining number of households in the primary market area, are things that retailers will consider when looking at downtown Council Bluffs as a potential location.

Employment

Educational/health/social services, retail trade, and manufacturing are major employment sectors for Council Bluffs' civilian labor force. In 2000, just over two out of five residents 16 years of age and older worked in one of these three industries. Casinos,

however, are Council Bluffs' largest employment base. Three casinos, Harrah's, Ameristar, and Bluffs Run, are located near the eastern periphery of the city and are accessible from Interstate 29. Data from the city's Chamber of Commerce shows that each casino employs over 1,000 people.

While gaming is the largest industry in Council Bluffs as a whole, health care is the largest employment base downtown. Together, the leading employers, Jennie Edmundson Hospital and Mercy Hospital, employ a staff of about 1,350, which is approximately one-third of the downtown workforce. Both hospitals are located at the northeastern edge of downtown.

Council Bluff's local employment base has been fairly strong. In 1990, the unemployment rate was 4.5% and by 2000 it had dropped by 40%. While there was a slight increase in joblessness between 2000 and 2002, this was reflective of a nationwide economic downturn. Iowa, in general, and Council Bluffs, in particular, have fared better than the rest of the country during the recent recession. As shown in Table 4, between 1990 and 2002, the city's unemployment rate has remained below the national average by about one to two percentage points and has been generally consistent with statewide figures, which rank among the lowest in the nation. This is a positive indicator for the potential for Council Bluffs and for its downtown.

RETAIL MARKET ASSESSMENT

Retail Competition

Along with gaining an understanding of demographic and socioeconomic conditions that affect retail markets, it is also important to note the level of competition that surrounds a designated retail area. The competitive position of one shopping center or retail location within a larger retail alignment is assessed by its distance from other retail concentrations and its general accessibility, as well as its retail mix. Downtown Council Bluffs' competitive retail environment extends south towards the city limits and west into Omaha. The following section provides a general profile of retail locations that are most competitive with downtown.

In 1986, *Mall of the Bluffs* opened as the first regional shopping center in Council Bluffs. The mall is

Table 4.3: Aggregate Income by Market Area, 2002-2007

Area	2002 (Estimate)	2007 (Projection)
Primary Market	\$114,434,376	\$140,200,134
Secondary Market	\$1,234,179,465	\$1,509,745,149
Tertiary Market	\$571,175,720	\$733,660,019
Total	\$1,919,789,561	\$2,383,607,309

Source: Claritas, Inc.; Applied Real Estate Analysis, Inc.

Table 4.4: Unemployment Rates, 1990-2002

	1990	2000	2002
Council Bluffs	4.5	2.7	3.6
Iowa State	4.3	2.6	3.7
United States	5.6	4.0	5.8

* Percent of workers 16 years old and over

Source: Iowa Department of Labor; Nebraska Department of Labor, US Department of Labor

anchored by Sears, JC Penney, and Dillard’s department stores, Target, and Barnes and Noble Bookstore. Over 80 additional national, regional, and local retailers are located in this 675,000-square-foot shopping center. Mall of the Bluffs is located at Interstate 80 and Madison Avenue, approximately two miles southeast of downtown Council Bluffs.

Lake Manawa Power Center is also approximately two miles from downtown. Interstates 29 and 80 provide convenient access to the shopping center and Sixth Street/South Expressway is a direct link from downtown. Lake Manawa has been a major regional draw for Council Bluffs. Its main attractions are big-box retailers: Wal-Mart, Sam’s Club, and two major home-improvement stores, Menard’s and Home Depot. The power center provides a total of 600,000 square feet of retail space.

Just west of the Missouri River is Omaha’s historic *Old Market* retail district. The Old Market offers an eclectic mix of clothing, antique, and specialty stores, as well as a variety of restaurants, pubs, and coffee houses. Two other major shopping centers *Crossroads Mall* and *Westroads Mall*, also draw a portion of their market from the Council Bluffs area. These malls are older shopping centers that opened in the 1960s, and both have since been renovated and expanded. Westroads Mall and Mall of the Bluffs are both owned by General Growth Properties.

In addition, there are several smaller shopping centers and free-standing retail outlets throughout Council Bluffs, including the 95,000-square-foot North Park shopping center anchored by Hy-Vee, and a 50,000-square-foot center anchored by a Big K-Mart. All of these smaller centers absorb retail dollars and provide potential competition for downtown merchants. Downtown’s position in the regional alignment is constrained by its comparatively less convenient accessibility from the interstate highways and by the public’s perception that acres of free parking make the stores in large centers more convenient than stores in a more closely developed environment.

Trends in Retail Sales

Table 4.5 provides an analysis of retail sales trends in Council Bluffs. Between 1975 and 2000, the sales volume in the city increased by 66% (2000 constant dollars). Except in the late 1970s, every five-year segment of this time period was marked by at least a

10% gain in sales. The greatest increase, 19%, occurred between 1990 and 1995. In 1990, Mall of the Bluffs was the only regional shopping attraction in Council Bluffs. By 1995, Lake Manawa Power Center had established itself as an additional regional draw for the area.

In addition to tracking retail sales every five years over a 25-year period, we also conducted a general assessment of annual retail sales patterns between 1975 and 2000. Sales totals fluctuated between 1975 and 1991, but after 1991 they increased each year, peaking at approximately \$845 million in 1999. Wal-Mart was a probable contributor to this distinct boost in sales. In 1999, Wal-Mart’s store at the Lake Manawa Power Center was expanded to a Wal-Mart Super Center. In addition to general merchandise, personal care items, apparel, and other related retail purchases, the new store includes grocery items in its line of products.

However, year 2000 saw retail sales dip for the first time in nine years, to less than \$760 million; so it is likely that a broad of mix households had been initially attracted to the Wal-Mart Super Center out of general interest or sheer curiosity. While the drop in total sales between 1998 and 2000 was 2%, a variable change that can be expected in any market, the decrease between 1999 and 2000 was about 11%.

A comparison of 2000 sales data for Council Bluffs and Pottawattamie County found that over 90% of the total sales in the county were captured in Council Bluffs. As shown in Table 4.6, retail sales in the city and county compared at \$756 million and approximately \$823 million, respectively. With the exception of service-related retail and wholesale purchases, Council Bluffs captured at least 90% of the sales in every major retail category listed below and 100% of apparel sales. According to researchers at Iowa State University, a total of 30 apparel stores are located in the county. Because Council Bluffs captured all of the county’s apparel sales, we can assume that all 30 clothing stores in the county are located within Council Bluffs’s city limits. Overall, general merchandise stores, which also carry significant quantities of apparel and accessories, captured the greatest proportion of total retail sales. This demonstrates the dominance that Wal-Mart, Target, and similar stores have in a small regional market.

Table 4.5: Retail Sales Trends, Primary Market, 1975-2000

Year	Current Dollar Sales (in millions)	Constant Dollar Sales (in millions)
2000	\$756.27	\$756.27
1995	\$582.96	\$658.70
1990	\$419.03	\$552.08
1985	\$311.23	\$498.01
1980	\$217.07	\$453.63
1975	\$142.07	\$454.77

Source: Iowa State University Extension

Table 4.6: Retail Sales, 2000, Council Bluffs and Pottawattamie County

Category	Total Sales in Council Bluffs	Total Sales in Pott. County	City Sales as a % of County Sales
Total Retail Sales	756.27	822.91	91.9%
Building Materials	56.05	61.32	91.4%
General Merchandise	166.70	172.42	96.7%
Food Stores	120.47	125.73	95.8%
Apparel Stores	20.94	20.94	100.0%
Home Furnishings	9.9	10.41	95.1%
Eating & Drinking	88.16	98.03	89.9%
Specialty Stores	56.34	61.08	92.2%
Services	89.08	100.46	88.7%
Wholesale	22.54	27.12	83.1%

Source: Iowa State University Extension; Applied Real Estate Analysis, Inc.

Downtown Council Bluffs

Over the years, downtown Council Bluffs has lost its position as the city's main retail destination. Mall of the Bluffs and Lake Manawa Power Center are currently the city's predominant retail attractions. While downtown is not able to compete with these major regional shopping centers, it has the potential to serve as a specialty center catering to stores that cannot afford mall rents or do not benefit proportionately from a mall location.

Downtown Council Bluffs actually has a respectable number of retail establishments. The problem is that they are scattered over a broad area and thus appear less substantial than they actually are. The most concentrated mix of generally pedestrian-oriented retail activity is along West Broadway Street between 1st Street and Park Avenue Council Bluffs' historic commercial district. Some buildings along this one-

block stretch are over 100 years old. As indicated in Chapter Three, building conditions range from good to needing rehabilitation. Some properties have received facade improvements or have been gutted and completely rehabbed, while others are aesthetically unappealing and need at least cosmetic improvements.

A mix of about 30 retail, commercial, and institutional uses are located within the historic commercial district. As displayed in Table 4.7, this section of West Broadway contains a variety of specialized and non-specialized retail goods and services, such as shoes, musical instruments and equipment, fish bait, discount clothing, etc. The table is organized by the location of the business, on the east or west side of the street. Generally, the west side of West Broadway offers a quieter, more pedestrian-friendly retail environment. The east side of the street is more automobile-oriented.

These are precisely the types of stores that can best benefit from a location with a unique environment. The copy center and the office supply store both cater to downtown businesses. The sewing shop, tackle shop, bicycle shop, and hobby shop all cater to specialized market segments that will seek them out no matter where they are located. And although persons purchasing bicycle accessories might not stop at the bait and tackle shop on the same trip, they are at least aware of the other shop's presence and can stop in at some future date, or mention the store to a friend who might be a fishing enthusiast. Then again, the cycle customer might be preparing for a trip on which camera supplies would be useful. In short, there can be advantages to having a collection of specialty shops located proximate to one another in an attractive environment.

Interviews with several of the owners and store managers in the area found that while some businesses have had a long-standing presence (20+years) in this area, others have recently located their business to the historic 100 Block. The Salvation Army has been leasing its space for 20 years, and D's Beauty Den has owned and occupied its own space for 25 years. Jiggies Bait & Tackle and Custom Threads are examples of relatively new businesses to the area. The bait shop opened in May 2002 and has a three-year lease at a favorable rate. Affordable rents and good traffic volume were the two factors



that attracted the owner of this business to the area. Custom Threads purchased its property in February, 2002 from the proprietor of Marcus Shoes. Lease rates in this section of West Broadway generally range from approximately \$500 to \$1,700 a month. Because business owners were generally not sure of the total amount of retail space they currently lease, it was difficult to determine the average per-square-foot lease rate for the area. However, based on monthly rents and our estimates of store sizes, rents appear to run between \$5.00 and \$10.00 per square foot.

A variety of other retail uses are scattered throughout the downtown, including Walgreens, a local pharmacy, an antique store, a caterer, a meat shop, a pawn shop, barber shops and other retail service establishments. Several fast food restaurants are located along West Broadway between Benton and Kimball Streets in the northeastern section of downtown. Additional eateries include a local pub, Godfather's pizza, a Chinese restaurant, and a Mexican restaurant. However, there is a limited mix of casual sit-down restaurants, delis, and similar types of eating establishments in the downtown area overall. Pearl Street and Main Street between 5th and Worth and the 100 Block of West Broadway are appropriate locations for this type of retail use, since municipal buildings, law offices, and other commercial offices are located along Pearl and Main or are within close walking distance of these strips.

Downtown's Retail Sales Potential

Even though Council Bluffs occupies a secondary position in the larger Omaha-Council Bluffs region, it still serves as the primary retail center for a portion of southwest Iowa. This role fosters strong retail sales,

Table 4.7: Inventory of Businesses along the 100 Block

West Side of West Broadway	East Side of West Broadway
R K Digital	O'Malley's Appliances
Custom Threads	Golden Floor Coverings
20/20 Vision Center	Green Acres Foods
The True Wheel Bicycle Co.	Future Electronics
Bluffs Sewing & Vacuum Center	
Smith's Office Supplies	
Smith's Office Supplies	
Barley's Tavern	
Jigies Bait & Tackle	
Op's Sports Tavern	
Marcus Shoes	
Salvation Army	
Lidget Music	
Hobbytown USA	
Bada Bing - restaurant/bar	
D's Beauty Den	

Source: RDG Crose Gardner Shukert; Applied Real Estate Analysis, Inc.

which are reinforced by expenditures from visitors who come from outside of the area to its casinos and other attractions. However, as discussed above, most of the city's retail sales are generated in the malls and strip centers located throughout the city, only a small portion of the sales dollars are spent in the downtown area. In assessing retail uses that will be appropriate for downtown, it is important both to consider the strengths of the nearby competitive market and to examine the existing mix of downtown retailers to determine appropriate and complementary uses for the area. For example, the general merchandise category ranked highest in retail sales in 2000, but it is not likely that a store of this type located in the downtown area would be able to compete with major



big-box general merchandise retailers at the Mall of the Bluffs and the Power Center; both of which are about two miles away from downtown. Since stores like Wal-Mart, Target, Sam's Club, and Sears have a strong presence at these shopping centers, a similar but smaller store in the downtown would be unable to compete on price and selection. Similarly, Dillard's, JC Penney, and the varied mix of smaller national apparel chains would pose strong competition to less specialized clothing stores in the downtown. However, a uniform store or other specialty apparel shop might find downtown an advantage because it could benefit from the lower rents.

To estimate the retail sales potential for downtown Council Bluffs, we used U.S. Department of Labor statistics on how households in the area spend their money. We then identified categories of retail expenditures that are most likely to be captured in the downtown area. These include the convenience categories "Food at Home" (basically grocery store sales) and "Personal Care & Medicine" (the main products in drug stores). These categories will draw from the primary and secondary markets. Two additional categories, "Food Away From Home" and "Miscellaneous Retail" will draw some customers from all three trade areas. Food away from home includes restaurants and fast food outlets, and the miscellaneous retail category includes the types of specialty shops that are already located in downtown. While a shop or two in another category might thrive downtown, it probably wouldn't represent a substantial part of the total sales potential.

Table 4.8 provides estimates for the expenditure potential from trade area residents for each category and then estimates the potential percentage of those

sales that can be captured in the downtown. In preparing them, we took into consideration the drawing power of the competitive retail concentrations and the general physical limitations on downtown retailing that make it difficult to compete with free-standing centers. However, these capture rates may be conservative. For example, because there are limited alternatives for grocery shopping in the primary trade area, an attractive new supermarket could easily capture half of the market, perhaps more. And given its downtown location and general accessibility, the store might also capture more than 11% of the secondary market.

The specialty shops, by definition, cater to limited segments of the market. Thus, it is likely that the downtown specialty stores are capturing almost as high a percentage of the sales in this category in the secondary market as they are in the primary market. It is in the tertiary market that we may be underestimating their capture potential. While capture rates of less than 10% may seem low, they reflect the very small segment of the overall market to which an individual merchant may be catering. Although the portion of the population that fish may be relatively large, the percentage of fishers that are dedicated enough to seek out a specialty shop downtown rather than purchasing what they need at Wal-Mart might be small. However, specialty retail has the greatest potential for expansion. Each distinct new shop brings a new segment of the market into the area. And if two or more shops in the same category, but with discrete products, locate in the downtown area, then the traffic could increase more than proportionately.

Calculating sales potential is the first step in assessing Downtown's retail potential. Those sales estimates then need to be translated into supportable retail

space. Table 4.9 shows these calculations. In almost every retail situation, a small portion of a store’s sales will be made to persons from outside of its market area. In downtown, this includes persons who are in town on business, visiting family or friends, or just in town to take in some of the local attractions. For Council Bluffs (because we define its market area as being totally in Iowa) it includes Nebraskans who may wander across the river. A factor is added to the resident sales potential to capture this visitor potential. The next step is to calculate the Downtown’s total sales potential. We then divide this figure by typical per-square-foot sales levels for stores of similar types. For grocery stores, sales of \$500 per square foot are not uncommon, but we used \$425 as a more typical level. Sales below \$400 would probably be insufficient to attract a potential grocer. Using the \$425 standard, the area could support a medium-sized grocery store, about 35,000 to 40,000 square feet.

Similarly, using \$250 per-square-foot in sales for specialty shops, we estimate that the area could support about 20,000 to 25,000 square feet of space. However, many small shops may be able to survive with sales of less than \$200, especially if their rents are low enough. Thus, the area could potentially support 30,000 or 35,000 square feet of specialty shops.

Estimating supportable space is not an exact science. There are numerous variables that are difficult to predict. We tend to make estimates that are slightly on the conservative side and then emphasize the upside potential. For example, a larger, industry-standard, supermarket /drug store combination of 55,000 to 60,000 square feet would be supportable in the downtown and might even help to expand the area’s market boundaries. While there is not sufficient space in the heart of downtown Council Bluffs to accommodate a major chain grocery store along with its necessarily ample parking, we did identify underutilized sites just west of downtown, along West Broadway Street, that could be assembled to provide sufficient land area. An additional advantage of a major grocery chain along West Broadway is that it could expect to capture sales from the East Omaha market, specifically the portion east of 24th Street and south of Ames Avenue. AREA did not identify any major grocery chains in this market.

Overall, the 89,000 square feet of retail space indicated in Table 4.9 could be expanded to 100,000 or more depending on the assumptions used and other variables. This number can also be increased if we add in banks and other personal services that were not included in the calculations. There is probably already more than 100,000 square feet of potential retail space downtown. Some of the space is in older buildings that are inefficient for contemporary retailing. Thus retailers may be occupying more space than they would necessarily need if they were in a contemporary shopping center with highly efficient space.

Expansion Potential

There are four primary sources for increasing the supportable space for retailing in downtown Council Bluffs:

1. An increase in the number of households living in and around downtown.
2. An increase in the number of persons working downtown.
3. An increase in the number of visitors to the area.
4. An increase in the capture rate of the existing trade areas and/or an expansion of the trade areas.

The four sources of increased retailing are interrelated. The more physically attractive the downtown is, the easier it will be to attract additional households and businesses. A larger concentration of retail businesses will attract more shoppers. Not only will residents of the trade areas shop more often but there is a potential for drawing customers from a larger geographic area on a regular basis. And if there are more attractions downtown, a larger portion of the visitors to the area’s other attractions will be drawn to the area.

As part of the overall plan for downtown revitalization, attention should be given to recruiting additional restaurants and specialty shops to the area through the creation of unique, pedestrian-oriented environments that make use of Council Bluffs’ history and existing fabric without trying to create an artificial setting. Omaha already has its Haymarket area, and Council Bluffs will have to develop an environment that caters to the same sensibilities in potential business owners and shoppers without being imitative. Downtown Council Bluffs needs an environment that will be distinct enough that business travelers to Omaha will feel the need to see and experience it.

Table 4.8: Estimated Expenditure Levels by Retail Category

Aggregate Income, 2002				
Primary Area				\$114,434,376
Secondary Area				\$1,234,179,465
Tertiary Area				\$571,175,720
Total				\$1,919,789,561

Retail Category	Estimated Maximum Expenditure as a % of Aggregate Income	Estimated Expenditure Potential	Capture Rate	Potential Downtown Sales
Comparison Retail				
Miscellaneous Retail	6%			
Primary Trade Area		\$ 6,866,063	8%	\$ 549,285
Secondary Trade Area		74,050,768	6%	4,443,046
Tertiary Trade Area		<u>34,270,543</u>	2%	<u>685,411</u>
Total		\$115,187,374	4%	\$5,677,742
Convenience Retail				
Food at Home				
Primary Trade Area	8%	\$ 9,154,750	50%	\$ 4,577,375
Secondary Trade Area		<u>98,734,357</u>	11%	<u>10,860,779</u>
Total		\$107,889,107	13%	\$15,438,154
Food Away From Home				
Primary Trade Area	6%	\$ 6,866,063	10%	\$ 686,606
Secondary Trade Area		74,050,768	5%	3,702,538
Tertiary Trade Area		<u>34,270,543</u>	2%	<u>685,411</u>
Total		\$80,916,830	5%	\$4,389,145
Personal Care/Medicine				
Primary Trade Area	7%	\$ 8,010,406	15%	\$1,201,561
Secondary Trade Area		<u>86,392,563</u>	5%	<u>4,319,628</u>
Total		\$94,402,969	6%	\$5,521,189

Source: Applied Real Estate Analysis, Inc.

Table 4.9: Estimates of Total Supportable Retail Space, Downtown Council Bluffs, 2003

	Resident Expenditure Potential	Factor For Non-Resident Expenditures	Total Expenditure Potential	Average Sales Per Sq. Ft. of Net Selling Area	Total Estimated Supportable SF
Comparison Retail					
Miscellaneous Retail	\$5,677,750	18%	\$6,529,413	\$250	22,711
Convenience Retail					
Food at Home	\$13,535,300	8%	\$15,565,595	\$425	36,325
Food Away From Home	4,389,150	15%	5,047,523	\$300	14,631
Personal Care/Medicine	<u>5,521,200</u>	8%	<u>6,349,380</u>	\$360	<u>15,337</u>
Total	\$23,445,650		\$26,962,498		89,003



OFFICE MARKET ASSESSMENT

In addition to analyzing the retail potential of downtown Council Bluffs, we also conducted a general assessment of its office market. Much of the downtown office market consists of single-tenant buildings occupied by various professional and service-related businesses such as insurance companies, mortgage companies, law offices, financial-service-related businesses, real estate companies, medical offices, etc. Downtown’s largest multi-tenant office building is the Omni Business Center, originally developed in the late 1970s as Midlands Mall. As retail activity shifted from the center to the periphery of the city, the building was converted to office space. The center provides 400,000 square feet of office space. According to real estate professionals currently active in the market, office space in downtown Council Bluffs, as a whole, generally leases at approximately \$7 to \$9 per square foot. Lease rates at the Omni Center compare at \$3 to \$14 per square foot.

Last year, the Omni Center leased the most significant amount of its office space to Acceptance Insurance Company. Acceptance also leased the former Redlands Building, a mid-rise commercial building at 545 West Broadway for its administrative offices. Recently, the company’s assets were liquidated and sold to its various subsidiaries. As a result of Acceptance’s demise, approximately 300,000 square feet of additional space was added to the current vacancy of downtown office space. Heartland Properties, located in a single-story building at West Broadway and Glen Avenue, is relocating to the larger quarters of the former Redlands Building. This is a positive development for the Council Bluffs office market, because a single-story free-standing building with independent surface parking meets the needs of a wider variety of potential tenants.

Downtown Omaha is also experiencing a glut of vacant office space. Major office tenants such as First National and Union Pacific are developing their own corporate headquarters and thus vacating several thousand square feet of office space. According to analysts at Grubb and Ellis, if expected vacancies are not filled by the end of the year, the office vacancy rate in downtown Omaha is likely to reach about 24% to 29%.

Overall, the current market dynamics indicate that there is not a demand for office space in downtown Council Bluffs. In the short term, we do not recommend that new office space be developed in the downtown. However, a regional market for office development may ultimately emerge in the mid to long-term as current inventory is absorbed. Therefore, appropriate policy for Council Bluffs is to:

- Plan for a moderate amount of new office space within a long-term downtown plan, identifying sites where such office space is appropriate. Reserve sites for quality office development, rather than precluding their use for this purpose by approving lower-value development.
- Plan for the continuation of existing trends in areas like Haymarket, where owner-occupied offices have developed during the last decade in historic or contemporary free-standing buildings.
- Continue to market the central district aggressively as a unique site for private office development

and create an amenity structure that supports such a marketing effort.

Residential Markets

An unusual characteristic of Downtown Council Bluffs is the presence of quality neighborhoods in and around the district. Historic residential neighborhoods north of Kanessville Boulevard and east of Bluff Street have attracted significant reinvestment and provide some of the metropolitan area's most unique housing. The 8th Street and Bluff Street areas within the Downtown study area also reinforce the residential scale and quality of the area. These residential patterns make Downtown unusual as an attractive market for housing in both new and adaptive reuse settings. In addition, other developments in the immediate area that can influence the market for housing development include:

- Council Bluffs resurgence as a community housing market. The city has vastly increased housing production between 1990 and 2003, achieving an average construction rate of about 300 units annually by the late 1990s.
- The demonstrated attractiveness of downtown housing in the metropolitan area. Between 1980 and 2003, Downtown Omaha has generated about 3,000 new units of downtown housing, strongly indicating the receptiveness of the overall market to unusual residential environments. Downtown Council Bluffs can provide many of the same amenities and features of scale and community quality as Downtown Omaha, and can expect to capture a portion of this market.
- The move to Downtown Omaha of significant numbers of new employees with the development of the Missouri Riverfront, the move of the Gallup Organization to Omaha, and transfers of a number of Union Pacific corporate employees with the construction of a new downtown headquarters for the railroad.

This section will relate characteristics of Council Bluffs' population and housing supply to determine future markets for residential development. This in turn will help determine the feasible absorption of additional housing units in Downtown Council Bluffs. Housing costs are also considered in this analysis.

Housing Tenure

Downtown Council Bluffs has an extremely large percentage of rental units, while the city overall has a fairly typical distribution of owner- and renter-occupied housing units. Table 4.10 identifies the number of owner and renter households for both Downtown Council Bluffs, as well as the city at-large. Only 14% of occupied dwelling units in the Downtown area were owner-occupied in 2000, compared with 65% of units in the city overall.

Furthermore, the percentage of renter-occupied units in the city increased between 1990 and 2000. This shift in tenure over time may be explained by an increased demand for rental housing by an aging population; declines in the size of the City's average household; and increases in the cost of owner-occupied housing.

Housing Vacancy

The Downtown area has a higher housing vacancy rate than the city at-large. The City of Council Bluffs, generally has a moderate vacancy rate. In 2000, the city had a vacancy rate of 5.96%, while the Downtown area had a vacancy rate of 7.10%. This disparity is likely attributable to the Downtown's large number of rental units, which tend to experience higher turnover rates, and thus have more frequent vacancies. However, given Downtown's high rental occupancy, a vacancy rate in the range of 7% is relatively moderate. In addition, the City of Council Bluffs experienced an increase in its vacancy rate from 5.00% in 1990 to 5.96% in 2000.

Table 4.10: Housing tenure in Downtown and Council Bluffs, 2000

	Total Occupied Units	Owner-Occupied	% Owner-Occupied	Renter Occupied	% Renter Occupied
Downtown	798	112	14%	686	86%
City of Council Bluffs	22,889	14,882	65%	8,007	35%

Source: U.S. Census Bureau

Table 4.11: Housing vacancy in Downtown and Council Bluffs, 2000

	Total Housing Units	Vacant Housing Units	Vacancy Rate
Downtown	859	61	7.10%
City of Council Bluffs	24,340	1,451	5.99%

Source: U.S. Census Bureau

Housing Cost

Despite a large percentage increase in housing costs and values between 1990 and 2000, Council Bluffs' median housing value remain somewhat below those of other regional communities. Table 4.12 illustrates changes in housing cost in Council Bluffs and other metropolitan area communities. The cost of housing in Council Bluffs increased considerably between 1990 and 2000. Council Bluffs experienced a greater percentage increase in median housing value than Omaha, Bellevue, or Papillion. Despite this increase, Council Bluffs still had a notably lower median value than these three cities. The median housing value in Council Bluffs in 2000 was \$78,200, compared with \$94,200 in Omaha.

Council Bluffs also experienced a significant 46% increase in median contract rent over the ten-year period. The City's median rent increased from \$378 in 1990 to \$550 in 2000, representing a larger increase than any other regional community. As with housing values, however, Council Bluffs' rents have historically been lower than those of other regional communities.

Comparable Rents

Monthly rents in Council Bluffs typically average about \$0.75 per square foot. Table 4.13 outlines the findings of a survey of rental properties in Council Bluffs that

we conducted during January 2003. Median monthly rent for efficiency apartments is \$337, median rent for 1-bedroom apartments is \$487, median rent for 2-bedroom units is \$593, and median rent for 3-bedroom units is \$684. Rent per square foot is \$0.75 on average, ranging from \$0.86 for an efficiency apartment to \$0.65 for a 3-bedroom unit. Monthly rent per square foot figures for Council Bluffs are similar to those for Omaha. However, median rents in Omaha tend to be higher than in Council Bluffs. This may be attributable to Omaha's newer housing stock, which includes larger units on average than Council Bluffs' older housing stock. In Omaha, the median year of construction for dwelling units was 1964, while in Council Bluffs the figure is 1957.

Housing Construction Trends

Housing construction in Council Bluffs drastically increased during the latter half of the 1990s. Between 1990 and 2000, the median number of single-family and two-family units constructed annually was 153 and the median number of multi-family units was 67. Table 4.14 illustrates trends in residential construction activity in Council Bluffs and Omaha between 1990 and 2000. During the 1990s, construction of multi-family units in Council Bluffs varied greatly from year to year, but generally experienced a dramatic upward trend. The City added 91 dwelling units in 1990 and 599 in 2000, an almost sevenfold annual increase.

4.12: Comparative Housing Costs and Trends, Council Bluffs and Other Metropolitan Area Communities, 1990-2000

	Median Housing Value			Median Contract Rent		
	1990	2000	% Change	1990	2000	% Change
Council Bluffs	\$43,900	\$78,200	78%	\$378	\$550	46%
Bellevue	\$61,800	\$97,800	58%	\$445	\$581	31%
Carter Lake	\$38,300	\$70,400	84%	\$465	\$537	15%
Omaha	\$54,100	\$94,200	74%	\$386	\$537	39%
Papillion	\$76,100	\$128,100	68%	\$498	\$622	25%

Table 4.13: Average Monthly Rents, Council Bluffs and Omaha

	Council Bluffs		Omaha	
	Median Monthly Rent	Avg Monthly Rent per Square Foot	Median Monthly Rent	Avg Monthly Rent per Square Foot
Number of Bedrooms				
Efficiency	\$323	\$0.86	\$425	\$0.86
1 Bedroom	\$468	\$0.79	\$618	\$0.79
2 Bedroom	\$588	\$0.72	\$740	\$0.74
3 Bedroom	\$643	\$0.65	\$903	\$0.74

Source: RDG Crose Gardner Shukert

The average number of single-family and two-family units constructed each year during the period was 142, while 128 multi-family units were developed in an average year, corresponding to an average annual increase of 270 new units. While Council Bluffs displayed approximate parity between single-family and multi-family units, about two-thirds of all housing construction in the Omaha jurisdiction was single-family. Omaha experienced an average annual output of 1,530 single-family and duplex units and 864 multi-family units. Average annual construction of housing in the Downtown Omaha market approached about 100 units annually during this period, or about 12% of the total multi-family market in Omaha.

Housing Projections

Housing projections suggest a demand for an additional 4,877 units by 2020, or an additional 245 units per year in Council Bluffs; a portion of this demand can be accommodated Downtown.

Table 4.14 displays projected housing needs for the City of Council Bluffs through 2020. These projections are based on:

- The need to accommodate a projected population based on the predicted numbers of births and deaths and a 2% migration rate, or the rate experienced in the city between 1990 and 2000.
- A stable vacancy rate at year 2000 levels.

- An annual loss of 0.012% of the city's housing stock, or the rate experienced during the 1990s. This accounts for demolition of substandard units.
- The distribution of new single-family, two-family, and multi-family construction will remain at the level experienced in the city between 1990 and 2000, approximately 53% one and two-family and 47% multi-family.
- Downtown will account for about 20% of the multi-family market generated within Council Bluffs.

The foregoing analysis indicates a considerable need for additional housing units in Council Bluffs in the coming years. The analysis suggests a demand for an additional 4,877 units by 2020, or 245 additional units per year. The projections indicate a need for about 130 additional single- and two-family units per year and about 115 multi-family units per year.

We project that a portion of Council Bluffs' projected housing demand be accommodated in the Downtown area. If Downtown can slightly increase its market share to about 25% of the locally generated multi-family market, the district can absorb about 28 new units per year. If, in addition, the district is able to capture about 10% of the market now drawn to Downtown Omaha by providing superior settings, the annual demand for Downtown development may grow to about 38 to 40 units annually. Pricing should be in the range of \$0.75 per square foot per month in year

Table 4.14: Housing Construction, Council Bluffs and Omaha, 1990-2000

Year	Single Family and Two-Family	Multi-Family	Total	Single Family and Two-Family	Multi-Family	Total
1990	53	38	91	1,259	1,266	2,525
1991	75	0	75	1,357	382	1,739
1992	78	22	100	1,715	511	2,226
1993	83	23	106	1,917	522	2,439
1994	106	0	106	1,433	374	1,807
1995	154	206	360	1,226	498	1,724
1996	164	106	270	1,469	1,587	3,056
1997	153	129	282	1,348	1,558	2,906
1998	176	451	627	1,509	1,407	2,916
1999	282	67	349	1,796	603	2,399
2000	237	362	599	1,799	797	2,596
Total	1,561	1,404	2,965	16,828	9,505	26,333
Average Annual	142	128	270	1,530	864	2,394

Sources: Council Bluffs Building Division; Omaha Planning Department

2003 dollars, somewhat below the average rental for Downtown Omaha units.

SUMMARY

This review of the Downtown Council Bluffs market indicates a demand for:

- About 90,000 to 100,000 square feet of retail space, including a standard contemporary grocery store. Such a grocery accounts for about 55,000 to 60,000 square feet of this area. Current lease rates in Downtown Council Bluffs range between \$5 and \$10 per square foot.
- No current demand for additional office space, although signature projects could generate a demand in the future when the current large inventory of downtown office space in Omaha and Council Bluffs is absorbed.
- About 35 to 40 residential units, with a typical rent in the range of \$0.75 per square foot. Premium settings can command moderately higher rents in the Omaha/Council Bluffs metropolitan market. In addition, unique projects with special features could also increase this potential market share.



Table 4.15: Housing Need Projections for Council Bluffs, 2002-2020

	2000	2001-2010	2011-2020	Total
Population, End of Period	58,268	62,680	66,879	-
Household Population, End of Period	56,939	61,388	66,185	-
People/ Household	2.49	2.48	2.47	-
Household Demand	22,889	24,777	26,821	-
Vacancy Rate	5.96%	5.96%	5.96%	-
Total Unit Needs	24,253	26,347	28,520	-
Replacement Need	-	293	317	-
Additional Units Needed During Period	-	2,387	2,490	4,877
Average Annual Increase Citywide	-	240	250	245
Annual Requirement, 1 and 2-Family	-	127	132	130
Annual Requirement, Multi-Family	-	113	118	115
Average Annual Downtown Absorption (Based on Current Ratio)	-	23	24	24

Source: RDG Crose Gardner Shukert