DOWNTOWN MARKET STRATEGY

TOPEKA KANSAS

DRAFT

Prepared for DOWNTOWN TOPEKA, INC.

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CHAPTER 1

INTRODUCTION

INTRODUCTION AND SUMMARY

Over the past 20 years, there has been a resurgence in downtowns and urban areas across the country. Initially driven by a surge of interest in downtown housing and urban living by young professionals, downtowns have increasingly become central to employer talent attraction strategies and regional tourism economies.

Downtowns across the West and Midwest, such as Kansas City, St. Louis, and Denver, have added thousands of housing units since 2000, transforming them into vibrant urban neighborhoods. This resurgence was driven largely by increasing demand by young professionals for walkable, urban neighborhoods and the corresponding investment in these elements by the cities in which they live. In other words, the growth of downtowns has been driven by market forces *and* good planning. Now, data indicates that downtowns may be on the cusp of a resurgence in employment and visitation as well.

Though not always at the leading edge of this trend, small and mid-sized communities have been investing in, and witnessing a downtown resurgence as well. Cities such as Des Moines and Chattanooga are exemplary, but places like Toledo and Akron are also seeing downtown investments yield returns. Downtown Topeka fits the profile of a community that was perhaps behind the curve on place-based investment, but has been rapidly gaining momentum, with place-based investments on Kansas Avenue, paired with private investment in distinctive dining, entertainment, and hospitality leading the way, along with organic investments in the NOTO arts district.

Signs now point to Topeka as a community that is organized and motivated to position its downtown as a great place for residents, visitors and employers. As this report demonstrates, it will need to continue to build on its assets and momentum to compete for talent and economic growth. Downtown plays an outsized role as an employer and contributor to the economy, and case studies show that downtown growth is very possible, even where regional growth is slow.

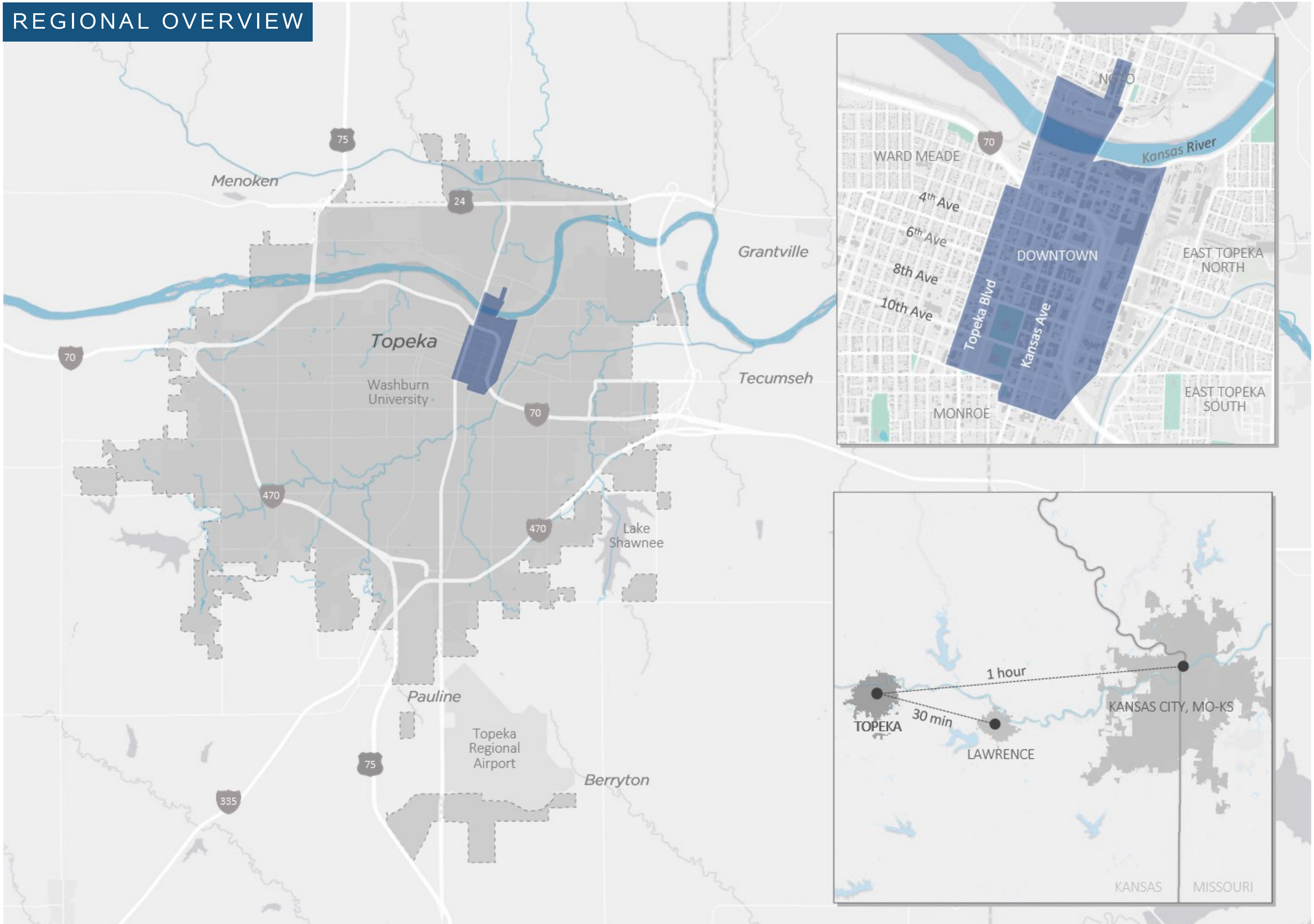
This document, which provides market analysis as a foundation of understanding for what development is possible over the next decade, clearly demonstrates that there is an opportunity to double the amount of downtown housing through market-rate development, add employment and hotel beds, and increase the quality (albeit not the quantity) of retail storefronts. These opportunities become the cornerstone of a development strategy for the revitalization of Downtown Topeka.

Strategy, then, is the next step. While this document validates numerous market opportunities, it also demonstrates that there is not enough market demand to revitalize the entirety of the urban core. Sites must be chosen selectively, in places that are most catalytic. Development cannot be uniform; different products will be needed to target different demographics and different needs. The market strategy section of this document identifies unique products, unit sizes, lease rates, and locations for development in ways that target specific demographic groups, and seeks to locate development where it will be most impactful, generally in places like Kansas Avenue, Van Buren, NOTO, and the edges of Kansas River.

It is also necessary to underscore that, in many cases, quality development will not simply "happen"; this much is clear where other downtown revitalization stories are considered. Incentives will be needed in the early-going. Partnerships between the city, philanthropic, private, and institutional sectors will be necessary. Land banking is critically important, as are the creation of design guidelines that encourage good urban form. Anchors need to be identified, as do catalyst projects. This document presents many ideas, in these areas, that will need to be followed up on, explored, vetted, and added to. Investments in development will only achieve their catalytic potential for the community when coupled with all of these elements, in a coordinated way.

Development Strategies was commissioned by Downtown Topeka, Inc., to better understand what is possible from a market perspective in Downtown Topeka and provide a strategic framework to support and guide future development. The study considers site context, marketability opportunities and constraints, socio-economic trends and characteristics in housing, office, retail and hospitality sectors; the performance of peer cities, competitive supply, and demand and market segmentation in these sectors. These analyses result in conclusions about future characteristics of residents, workers, and visitors; the products that they will demand, and the likely market performance and rate at which the development can occur.

REGIONAL OVERVIEW



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MARKET ANALYSIS AND STRATEGY: A PROCESS OVERVIEW

While market analysis helps understand current conditions and opportunity, market strategy identifies how to *change* conditions and *capitalize* on opportunity. Combined, the two are equal parts art and science, relying on quantitative market metrics, as well as a more qualitative understanding of what motivates people's decisions and how those can inform strategy.

Determining market support for housing, retail, office and hospitality in Topeka's "Greater Downtown" requires quantitative analysis of many interdependent variables—specifically, those relating to demand, competitive supply, economic conditions, demographic trends, and site marketability opportunities and constraints.

Equal parts art and science, a full understanding of market potential also requires imagination and the ability to conceptualize how different efforts, ranging from placemaking to feelings of safety, can change outcomes in subtle and dramatic ways. This is where market strategy comes into focus: it is essential to identify the elements that influence positive market outcomes; these elements then become the framework for a strategy to create an environment in which good development not only happens, but is truly catalytic.

Market analysis can essentially be divided into the study of people, product, and place:

PEOPLE: Demand Analysis (Who)

Demand analysis is fundamentally about people: who lives in the community today? Where do they live? What are their needs? Who is moving into the community. How many? This requires not only analysis of standard demographic data like income, age, and population, but consumer data that indicates preferences toward urban walkability, emphasis on K-12 education, perceptions relating to safety, and a whole host of variables that guide peoples' needs. Where there is a mismatch between what people want and what is currently supplied, a market opportunity exists.

PRODUCT: Supply Analysis (What)

Analysis of existing supply indicates a great deal about what the market will support in terms of rents, sale prices, and lease rates. It indicates preferences for specific products or locations. Sometimes, analysis of the competitive market can reveal specific opportunities for developers by identifying newer, more competitive types of development that achieve product differentiation by focusing on quality, amenity, design, or service offerings. Supply analysis provides critical foundational information for both market analysis and market strategy.

PLACE: Location (Where)

In real estate, it is commonly understood that market performance and development opportunities can vary greatly, depending on the location of a site. This has a number of contributing factors that range from the tangible (presence of heavy industry and noise), practical (proximity to schools or services), to more tacit, including perception and cultural bias. Place can have a strong influence on real estate location, and includes the design and functionality of an area, as well as its perceived value.

While market analysis helps understand current conditions and opportunity, market strategy identifies how to *change* conditions and *capitalize* on opportunity.

- Demand identifies potential market support for new and existing development, strategy asks, "How do we get them here?" to live, work, shop, visit, and recreate.
- Supply analysis evaluates what is currently in the market, and (often) what development products are successful in other places. Market strategy asks what should be built, and where?
- Place and location analysis evaluates what a place is today. Strategy seeks to improve the quality of place to create better market outcomes.

MARKET ANALYSIS

Market Analysis identifies current conditions and quantifies opportunities.

PEOPLE
(WHO)

DEMAND

PRODUCT
(WHAT)

SUPPLY

PLACE
(WHERE)

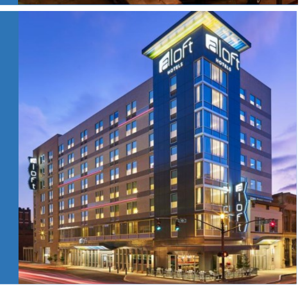
LOCATION

MARKET STRATEGY

Market Strategy focuses on how to change the conditions and capitalize on opportunities.

HOW DO WE GET THEM HERE?

WHAT DO WE BUILD?



WHERE DO WE CREATE IT?

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CHAPTER 2

MARKETABILITY ANALYSIS

DOWNTOWN AND MARKETABILITY OVERVIEW

Downtown Topeka is the employment center of the region and recent investments along Kansas Avenue and in NOTO demonstrate its potential to become a more vibrant place. This momentum can be further leveraged in the future.

Understanding the market potential for new development Downtown requires an understanding of its existing assets and how they can be best leveraged to maximize opportunity. Though the foundation of any market analysis relies heavily on demographic, socioeconomic, and real estate survey data, understanding variations in land use, density, streets, amenities, and pedestrian activity, helps inform how the market can leverage these characteristics to enhance value and experience. Marketability analysis seeks to understand the area in the context of its assets—strengths that can be built upon to create new opportunities and challenges such as barriers to new development, connectivity issues and market weaknesses.

Though the purpose of the following report is to identify market opportunity for new residential, retail, hospitality, and office development, understanding the dynamics of Downtown's broader economic, cultural, and institutional ecosystem is critical. Different parts of Downtown attract different types of people for a host of reasons. For example, office workers have a different set of needs than new residents. Likewise, visitors to the NOTO arts district may have different retail and entertainment needs than visitors to Kansas Avenue. Yet there are factors that make Downtown and NOTO marketable to each of these groups, and more experiences can be cultivated over time with a strategic approach.

Conducting a marketability analysis allows us to identify assets and opportunities, as well as strengths and weaknesses in Downtown and NOTO; clarify which assets can be leveraged immediately and what weaknesses need to be addressed over time; and inform the strategic framework aimed at making Downtown and NOTO a thriving place.

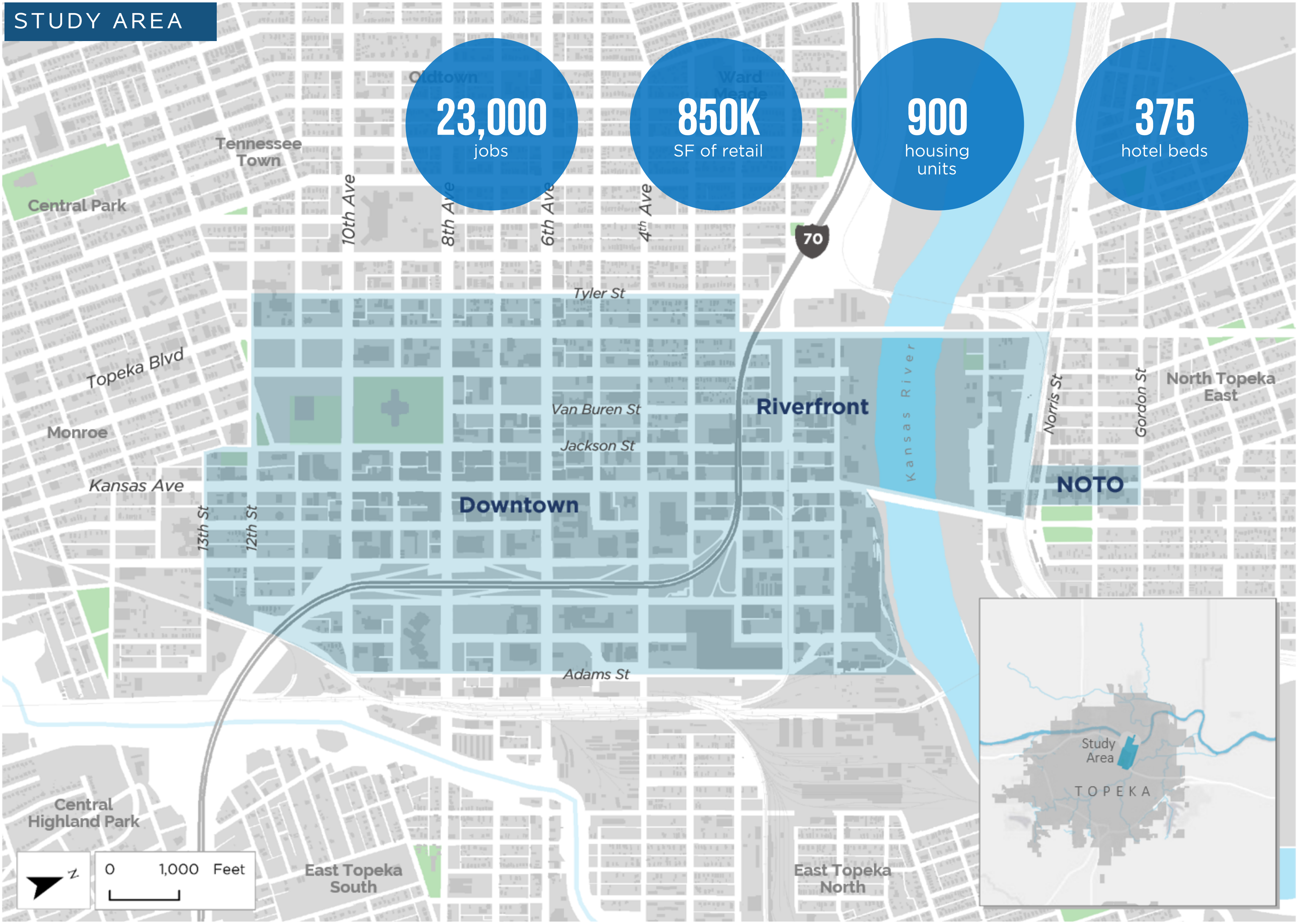
DEVELOPMENT CONTEXT

The existing condition of a district can provide a sound understanding of its potential. Downtown Topeka and NOTO have many assets: a strong employment base and stable office market, local retail stores and restaurants, and residential momentum.

Downtown Topeka is home to approximately 900 housing units and 176 are planned or under construction. These units house about 2,000 residents today. A significant number of existing units are contained within subsidized properties. The current market is largely affordable and new market-rate development is needed to establish an equilibrium, or a more balanced market. Downtown contains nearly 7.1 million square feet of office space, which houses many of its 23,000 jobs. Occupancy is relatively high at 94 percent, and most quality space is leased, with the State of Kansas being a major tenant. Downtown also contains a substantial amount to retail space and approximately $137 million of annual retail sales occur in the area. Overall, Downtown and NOTO have a strong base to build upon, with various assets and amenities already in place.

Great Overland Station

STUDY AREA



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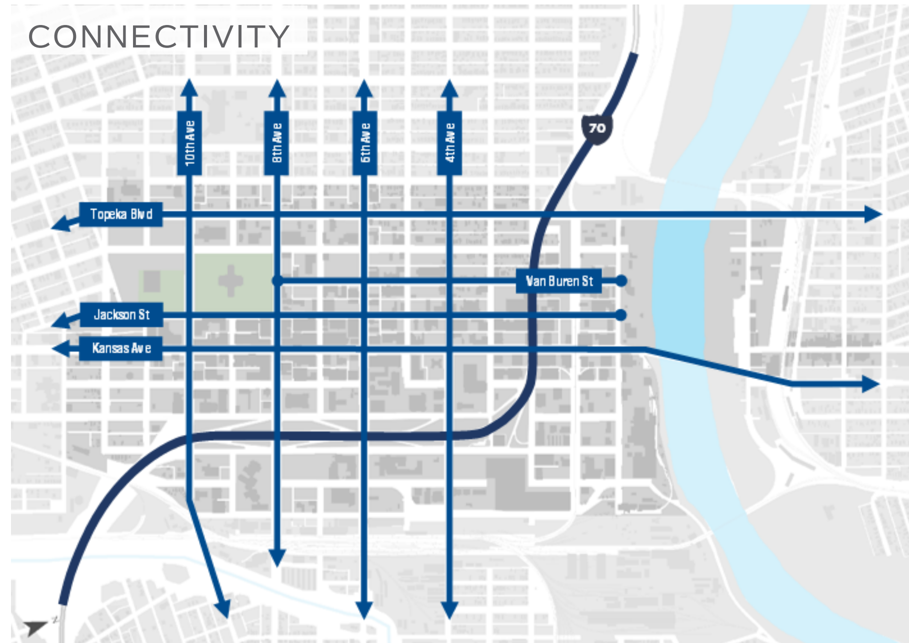
ASSETS, CONNECTIONS, AND BARRIERS

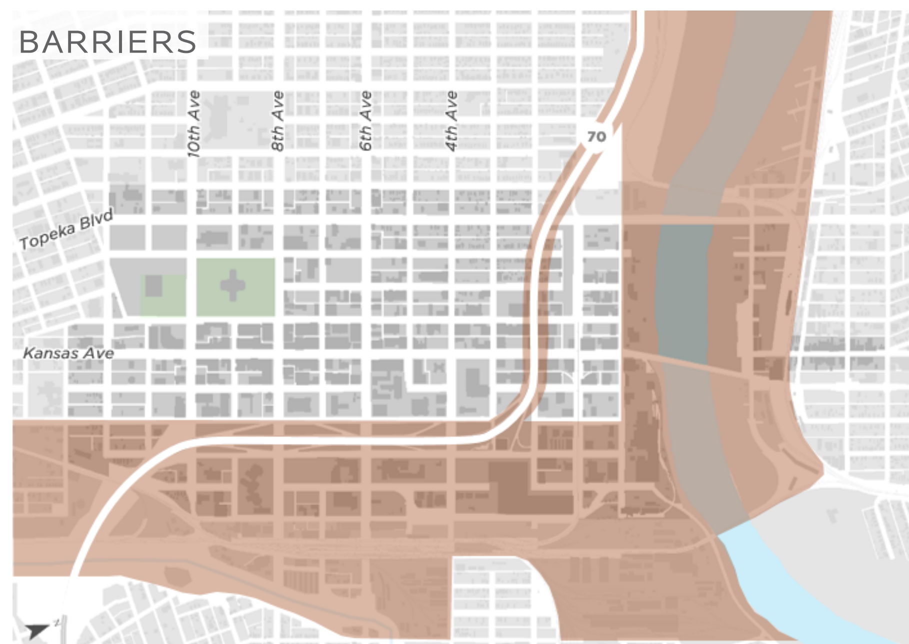
Downtown Topeka has a number of key assets: the State Capitol building, Overland Station, new developments and streetscaping along Kansas Avenue, the NOTO Arts District, and regular planned events. There is also a need to better connect Kansas Avenue to NOTO, the Capitol to the riverfront, and greater Downtown to surrounding neighborhoods.

Downtown Topeka has a number of institutional, cultural and economic assets that are key contributors to the economy and quality of life in the region, as shown on map. With over 23,000 jobs in state and local government, banks and other service sectors, Downtown has the highest concentration of employment in the region. The study area includes major cultural destinations, entertainment options, and unique shops and restaurants including the NOTO arts district, Topeka Performing Arts Center, Cyrus Hotel, The Pennant, and Iron Rail Brewery. With the recent streetscaping project on Kansas Avenue, the proposed plaza under development, community events and wayfinding projects, Downtown is poised for a revival in the years to come.

Downtown Topeka benefits from a well-connected street system. I-70 travels through the downtown and provides easy access to local and regional destinations. Direct links to adjacent neighborhoods are provided by Kansas Avenue and Topeka Boulevard (which serve as the main north-south thoroughfares) as well as Fourth, Sixth, Eighth, and Tenth Avenues (which are the major east-west routes). Two bridges cross the Kansas River and tie North Topeka and NOTO to Downtown. Although vehicles have access to good facilities, in most cases, pedestrians do not. Basic infrastructure that provides safe and pleasant places to walk is lacking throughout the study area.

In its current state, the Kansas River acts as a barrier, rather than the asset it can become in the future. And while the interstate, industrial district, and railroad provide benefits in terms of transportation and economic opportunities, they also separate Downtown Topeka from neighborhoods to the east. Significant efforts must be made to overcome these obstacles and connecting downtown to the surrounding community.





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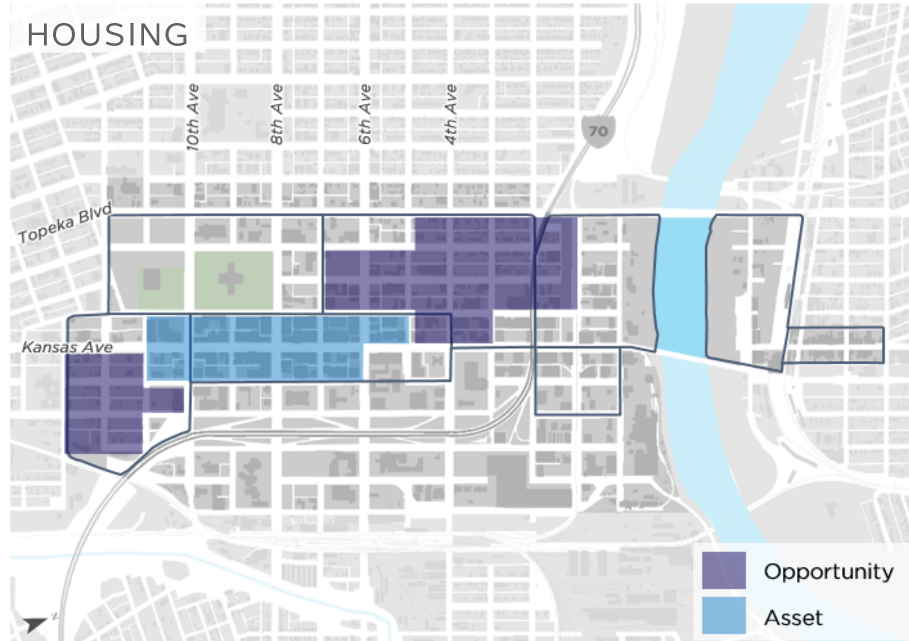
ASSET MAP

10th Ave
8th Ave
6th Ave
4th Ave
70
Hospital District (1.3 mi)
Washburn University (2 mi)
Kansas Expocentre (1 mi)
Heritage Sites (0.5 mi)
CAPITOL
GIZMO BUILDING
JAYHAWK TOWER
IRON RAIL BREWING
DOWNTOWN PLAZA
Topeka Blvd
Kansas River
GREAT OVERLAND STATION
POST OFFICE
CYRUS
CYRUS HOTEL
TOPEKA PERFORMING ARTS CENTER
ONS OF HOPE GALLERY
KANSAS AVE
NOTO
N

HOUSING

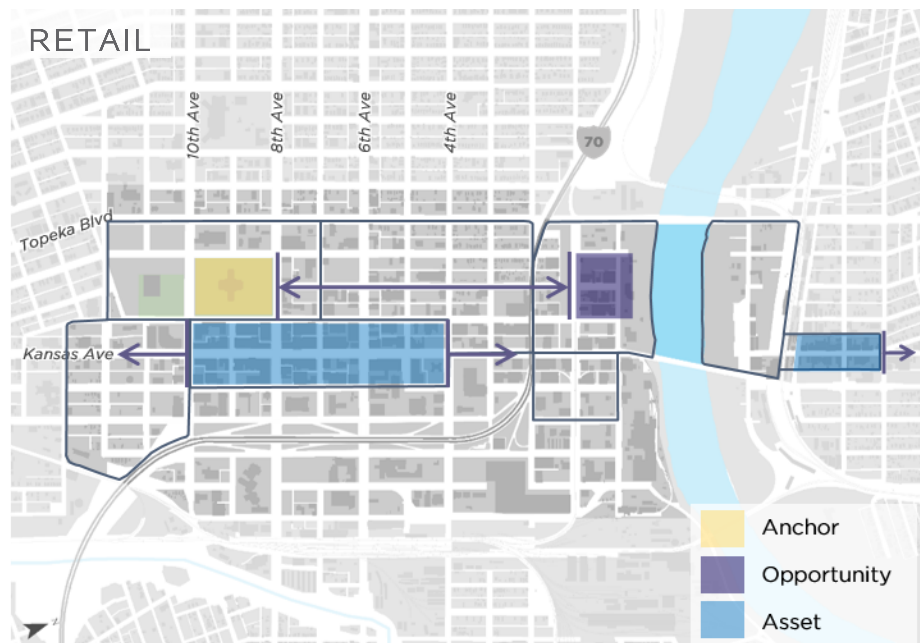
Downtown Topeka possesses key assets and opportunities for housing developments in the coming years. Local developers have had success in rehabbing older buildings into loft apartments by making use of Historic Tax Credits. Many lofts have rented quickly, and occupancy is high.

- Recent streetscape improvements, new restaurants and shops on Kansas Avenue, coupled with historic buildings create a more inviting environment for prospective residents.
- The Van Buren corridor, which connects the Capitol to the river, shows promise for new construction multi-family in targeted areas due to a great deal of underutilized land.
- The area near the water tower has potential to be developed as an urban village with for-sale and rental townhomes adjacent to the main office and retail concentrations in Downtown.
- Buildings near the intersection of Kansas Avenue and 1st Avenue lend themselves to industrial loft conversions.



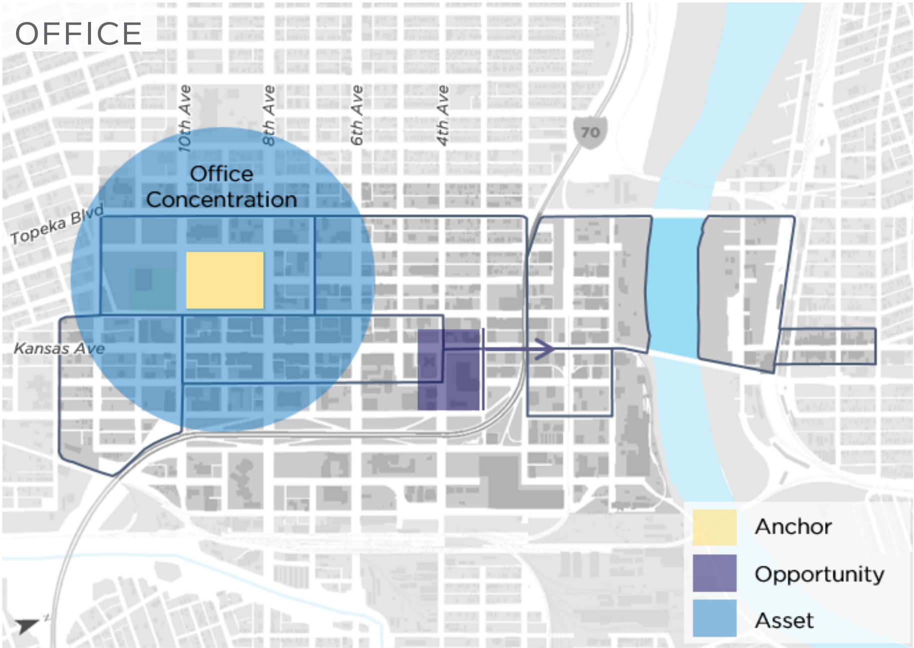
RETAIL

Recent investments by the city in streetscaping and urban amenities on Kansas Avenue and the growing art and cultural scene at NOTO are great assets to build upon to spark further retail developments linearly along Kansas Avenue. Dining could invigorate a new Riverfront district, while neighborhood retail could occupy the ground floor of some new buildings along a re-imagined Van Buren Street.



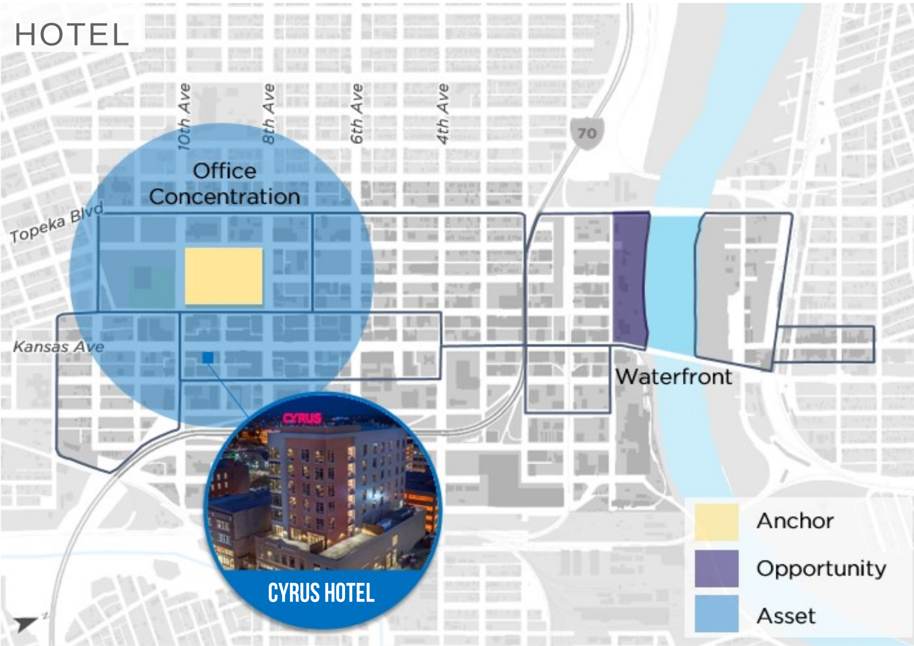
OFFICE

As the employment center of the region and the capital city of the state, Downtown Topeka has several major employers in federal, state, and local government, as well as banks, BNSF, and Westar Energy. There is strong occupancy in office spaces Downtown, and with the national trend of key growing sectors needing a downtown presence, Downtown Topeka could be well-positioned for some growth in office space. These changing national office preferences present an opportunity to convert existing warehouse spaces to co-working and creative spaces. In addition to speculative office development, the Police Department/County Sheriff office site offers an appealing location for a corporate office or a new office concentration.



HOTEL

As the state capital and major employment center, Downtown Topeka has a steady flow of business travelers. The proximity of the Kansas ExpoCentre could make Downtown more of a destination conventioneers as well. Further investments in revitalizing Downtown, the riverfront and NOTO can generate a greater flow of visitors to support additional growth in this sector. A riverfront hotel and conference center is worthy of exploration as part of a broader revitalization effort along the waterfront.



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first friday
PINKADILLY
Gravity

CHAPTER 3

TRENDS

NATIONAL TRENDS

Demographic shifts and changes in lifestyle preferences are impacting how people live, work, play, and interact with their environments.

The national population is growing and shifting demographically, implying that the types of housing offered will have to be altered to meet changing needs. Major trends include:

- **More seniors:** The population is aging—there will be 52 million more Americans over the age of 65 by 2060.[1]
- **Smaller households:** American families are having fewer children, and over one-quarter of households have just one person—a proportion that has been steadily rising since 1960.[1]
- **Rental Demand is Up:** Over 35 percent of U.S households were renter-occupied in 2015—the largest share since the 1960s.[1]

Consumer preference surveys show a shift in housing and community preferences that align with these demographic shifts.

- **Community amenities**: Nearly 50 percent of homebuyers surveyed in 2016 purchased a home in a community that offered shared amenities, such as playgrounds and pools.[2]
- **Walkability:** Nearly 90 percent of Americans surveyed indicated that it was important to live within walking distance of places in their community, such as retail and parks.[2]

These shifts can be seen not just on a national scale, but regionally and locally as well, and will have far-reaching and significant impacts on what types of new real estate development will be successful downtown. Given growing preferences for a mixed-use, walkable, urban environment, the study area could be better positioned to become a thriving neighborhood with residents, workers, and visitors alike.

RENTERS

Increase in renter-occupied housing for households earning more than $50,000 from 2009-2015

Source: American Community Survey,

DEMOGRAPHICS

Non-family households by 2025

Source: Martha Farnsworth Riche

PREFERENCES

Prefer attached or small lot housing if it puts them closer to work, mix of uses, etc.

Source: National Association of Realtors

[1]American Community Survey, 2018 [2]"NAR 2017" Community Preference Survey," National Association of Realtors, September 2017

A key trend regarding downtowns is that in they are growing in most cities across the country. In fact, 75 of the 100 most populous cities gained population in their downtowns from 2000 to 2010. Mid-sized cities, or those with 50,000 to 250,000 showed impressive growth in their downtowns over the past several years.

Downtown growth does not occur in a vacuum. Rather, it relies on an alignment of a multitude of factors, including private market leadership, partnerships with institutions of higher education, establishment of attractions like microbreweries, and event programming and festivals.

Many of these ideas and trends are succinctly summarized by John Karras in *Top 10 Trends Impacting Downtown Revitalization*, and supported by a wide range of studies and qualitative observations from successful downtowns.

Smart Growth America commissioned a survey, *Core Values: Why Companies are Moving Downtown*, in 2016 to better understand what types of companies are intentionally opening facilities in downtowns and why they are doing so.

According to the survey, half of the companies surveyed moved from suburban locations to downtowns. An additional 20 percent opened new offices in downtown locations, while the remainder expanded their existing footprint in downtowns.

Most companies surveyed indicated that talent recruitment was a top reason for establishing or expanding a downtown location. Company identity and moving to an environment that fosters more collaboration among employees and peer firms were also key reasons.

The downtown environment is attractive to prospective employees, which makes it attractive to companies. Cities that create a dynamic downtown can foster a competitive advantage in terms of attracting and retaining talent.

DOWNTOWNS ARE **GROWING**

75 OUT OF 100

top cities gained population in their Downtowns (2000 to 2010).

Mid-size cities are leading the way.

Higher education, craft brewing, and festivals are catalysts for growth.

Sources: *Top 10 Trends Impacting Downtown Revitalization (2016),* John Karras, urbanSCALE

COMPANIES ARE **INTENTIONALLY** MOVING DOWNTOWN

Companies are looking for talent, identity, and collaboration.

70% of companies surveyed relocated from a suburban location or opened a new branch in downtown.

Professional/ Technical, Information, Finance & Insurance are leading the way.

Sources: *Core Values: Why American Companies are Moving Downtown* (2016), Smart Growth America

DOWNTOWN TOPEKA AND NOTO: THE DYNAMIC CORE

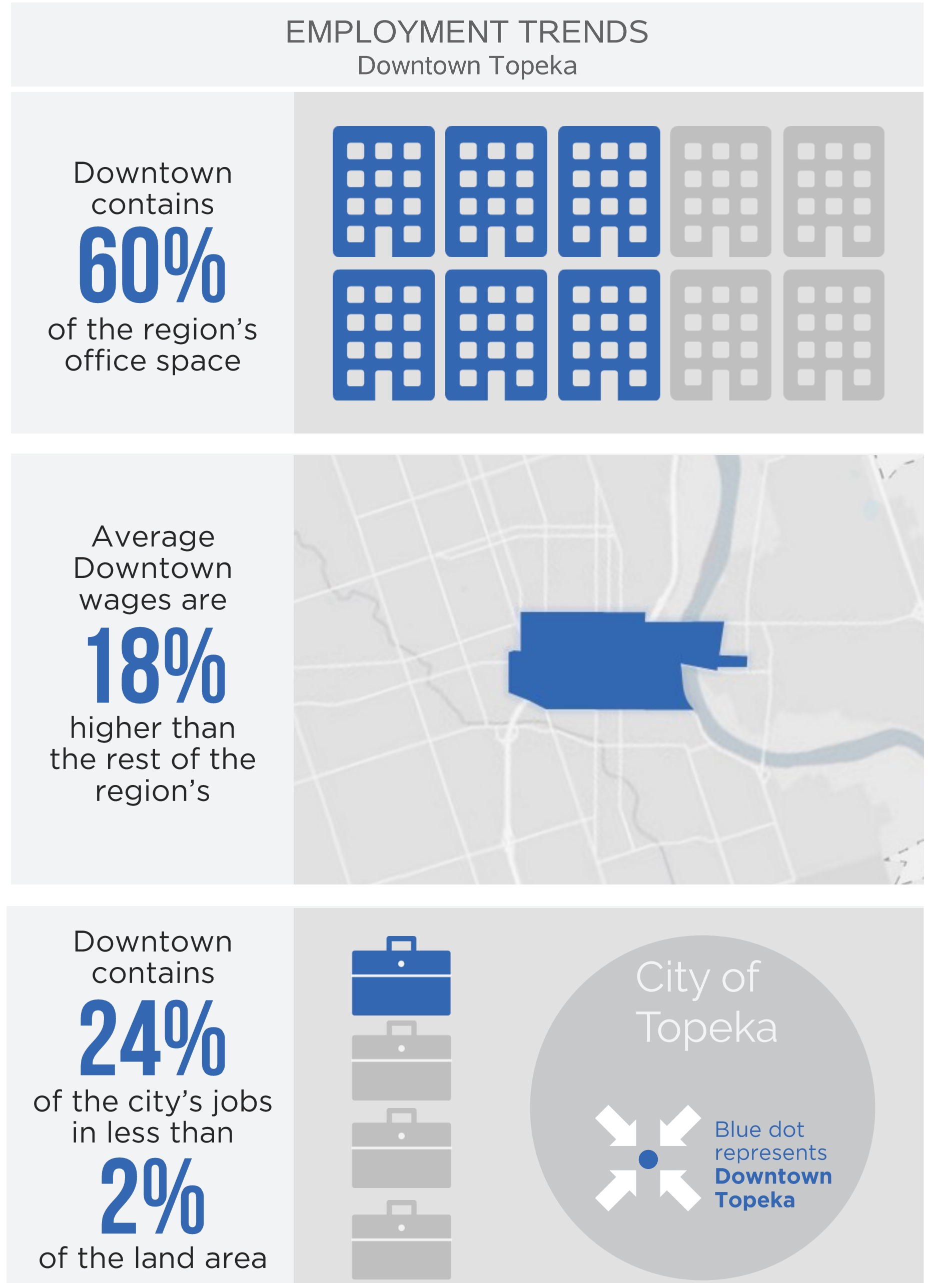
Downtown Topeka remains the employment center for the Topeka Region, despite the fact that most residential and retail investment has occurred at the edge of the city for several decades.

Data from KS Commercial and CoStar shows that approximately 60 percent of the office space in the Topeka MSA is located in Downtown. With relatively low vacancy, this indicates that Downtown remains the primary job center in the region. In fact, Downtown Topeka is home to approximately 23,000 jobs. This creates great market potential if Downtown also contains amenities and services used by those workers.

Downtown Topeka is so job dense, that it contains 24 percent of the city's jobs in less than two percent of the city's land area. This adds to the point that there is significant opportunity to capture additional spending from that market.

Downtown Topeka's jobs are higher paying on average compared to those outside of the district; average wages are 18 percent higher at downtown companies than in the rest of the region.

There is substantial opportunity to leverage the density of high-paying jobs located Downtown into additional market potential and; therefore, new development.



Source: CoStar 2018 (top), On the Map, Bureau of Labor Statistics, Development Strategies (middle), ESRI 2018 (bottom)

DOWNTOWN HOUSING TRENDS

Survey data from select cities that have experienced considerable downtown development in recent years helps inform the profile of households that would be interested in moving to Downtown Topeka if the right housing products were available.

Demographic data from growing downtown populations in Kansas City, St. Louis, and Nashville help paint a clearer picture of potential downtown residents.

Roughly half of new residents are young (under 35) and very few have children. This implies the greatest demand is for mid-priced housing with an emphasis on rental housing. However, mid-career professionals and empty nesters also comprise a sizable market and generally can afford higher-end housing, including for-sale housing. Households are evenly split between singles (47 percent) and couples or roommates (51 percent), meaning smaller units (studios, one-bedroom, and two-bedroom) will be in greatest demand, though some (particularly homeowner couples) will prefer three-bedroom units.

Downtown residents are well-educated, with an impressive 84 percent holding college degrees. This not only informs housing development decisions, but illustrates how providing downtown housing is an important part of the city's business development strategy in attracting and retaining a talented workforce. This is further underscored by the fact that 33 percent of residents are from out-of-town.

Survey data reveals a number of other interesting and relevant facts about the type of people that are moving to downtowns. Just over half do not work downtown. Therefore, while living close to work is certainly a lifestyle decision that appeals to many, it is clearly not the only reason people move downtown. The fact that over half of new residents do not work downtown indicates that the appeal of living in a downtown neighborhood, regardless of place of employment, is important to many. At the same time, employment growth downtown can also stimulate residential demand.

DOWNTOWN RESIDENTS

ARE YOUNG	48%	are 18 to 34 years old
ARE IN MID-CAREER	35%	are 35 to 54 years old
ARE EMPTY NESTERS	17%	are aged 55 and over
DON'T HAVE KIDS	92%	have 0 children living in their household
ARE HIGHLY EDUCATED	84%	have a Bachelor's degree or higher
RENT THEIR RESIDENCE	51%	rent their residence
RECENTLY RELOCATED	33%	moved from outside the MSA

Sources: Development Strategies based on data from Partnership for Downtown St. Louis; Nashville Downtown Partnership; Downtown Council of Kansas City.

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OFFICE AND RETAIL TRENDS

Nationally, companies are showing a renewed interest in downtowns as a means of attracting talent. Downtown retail efforts need to emphasize quality, not quantity.

While previously a strategy to attract residents, investment in walkable, urban locations is now a key selling point for many businesses. A Downtown office offers better transit connectivity and cultural amenities that are crucial to attracting talent, and a visible Downtown presence promotes business development and the brand image for many companies—particularly those needing to project creativity and collaboration.

The top sectors driving office leasing activity at the national level are moving to and expanding Downtown at similarly quick rates. Technology and finance and insurance are positioned near the top of both categories, and accounted for more than one-third of all office leasing activity nationwide in the past year. A recent Smart Growth America survey of about 500 companies that relocated Downtown between 2010 and 2015, indicated that nearly half of relocations were from suburban areas of the same metro, while one-in-five were a new Downtown location or branch.

Retail trends in smaller and mid-size Downtown markets are mixed. Though regional retail continues to expand, Downtown markets have grown more slowly or contracted. Thriving Downtowns need to focus on unique dining and cultural experiences to create an environment that is enhanced by high-quality retail. As retail shopping increasingly shifts online, a holistic approach should leverage quality retail as part of a mix of uses that attracts people to Downtown as a destination with distinctive experiences.

TOP SECTORS NATIONALLY BY LEASING ACTIVITY

16% Finance & Insurance

18% Coworking

20% Technology

COMPANIES MOVING AND EXPANDING DOWNTOWN BY INDUSTRY

15% Information

14% Finance and Insurance

29% Technology

Sources: *U.S. Office Market Statistics, Trends, & Outlook* (2018), Jonas Lang LaSalle IP, Inc.; *Why American Companies are Moving Downtown* (2016), Smart Growth America

DOWNTOWN VS MSA: RETAIL

Percent Change in Retail Square Footage, 2009-2019

	Kansas City	Wichita	St. Louis	Grand Rapids
DOWNTOWN	-4%	+2%	-10%	+1%
MSA	+2%	+5%	+2%	+2%

Sources: CoStar, 2019

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GROWTH WITHOUT GROWTH

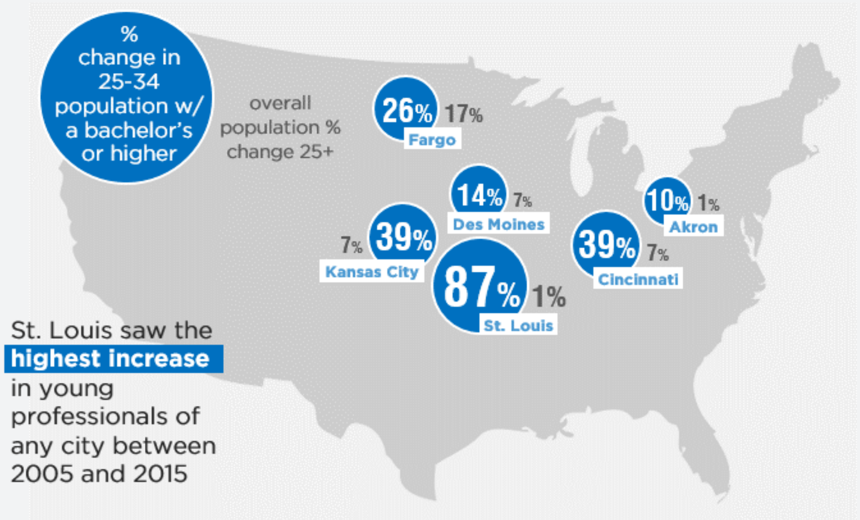
Downtowns are growing in areas with little or no regional population growth by offering walkable amenities, a vibrant mix of uses, and good access to jobs and services.

In slow-growth markets, Downtown population growth is driven primarily by an influx of younger, educated households relocating from within, or to, the region. They often move to be near employment and cultural amenities, and are representative of a wider shift in preferences towards more active urban environments. This residential population is critical for transforming downtowns from hubs of economic and administrative activity to a collection of neighborhoods that support unique and vibrant retail, commercial, and entertainment opportunities. In this way, downtowns can experience growth in regions that otherwise are not increasing in population.

Providing attractive residential products that can accommodate these groups is key. Though urban-minded groups are present throughout Topeka, nearly all of them currently live outside Downtown given the lack of competitive rental and for-sale options in the area. The success of the small number of loft conversions along Kansas Avenue in recent years is indicative of pent-up demand, and continuing to offer distinct residential products downtown will be an important effort in capturing these households and facilitating population growth.

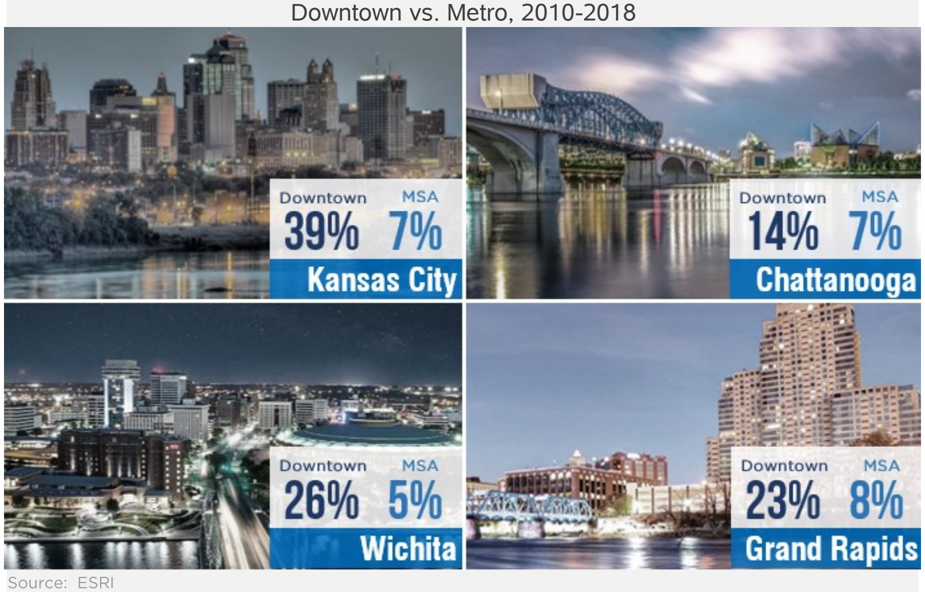
The impact of Downtown growth is evident across the Midwest. In cities as diverse in scale as Kansas City, Chattanooga, Wichita, and Grand Rapids, downtown populations grew at two-to-five times the pace of the population overall. Focusing on young professionals yields trends that are even more salient. Downtown St. Louis experienced substantial growth of nearly 90 percent in those aged 25 to 34 with a college degree between 2005 and 2015, while the overall metro rate remained stable. Though less eye-catching, similar trends emerged in slow-growth cities across the region including Cincinnati, Akron, and Des Moines.

POPULATION GROWTH OF YOUNG PROFESSIONALS



Source: American Community Survey

POPULATION GROWTH RATE
Downtown vs. Metro, 2010-2018



Source: ESRI

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PEER REGIONS: OVERVIEW

Topeka, including Downtown, lags behind in a number of ways. Yet many peer cities were in a similar place as Topeka in the past. A concerted effort with a unified vision will enable Downtown and NOTO to attract new investment and development that will make it a more vibrant destination.

Statistics for several cities were collected to provide a comparison to—and understanding about the general position of—Topeka. Some of the cities, such as Des Moines, Grand Rapids, and Chattanooga, are considered to be aspirational. That is, they are cities that leaders from Topeka have visited and are understood to be success stories for downtown development and growth. Another are truly peer cities, or those relatively similar in size, like Lincoln, and Fargo. The final two, Kansas City and Wichita, are intended to provide a regional context. Wichita has many similarities to Topeka—it is a slow growth region with a more recent emphasis on the Downtown core than many of the other cities.

The table below demonstrate that Topeka lags in many categories, particularly in the number of housing units and square footage of retail downtown. For instance, Fargo has a similarly-sized region, yet has 2,200 more units of housing and 350,000 more square feet in its downtown than Topeka. Conversely, Topeka has substantially more office space. In fact, Downtown Topeka has a higher concentration of office than any of the other areas.

The comparisons do not necessarily translate into demand for residential and retail uses in Topeka; however, they point to the fact that most downtowns have a more balanced mix of residential, retail, and office uses. Retail uses depend on residential uses, so supporting residential development that meets demand should be a priority.

PEER CITIES

METROPOLITAN AREAS	POPULATION (2018)	METRO GROWTH RATE (2010-2018)	DOWNTOWN POPULATION (2018)	DOWNTOWN GROWTH RATE (2010-2018)	DOWNTOWN HOUSING UNITS (2018)	DOWNTOWN RETAIL SF	DOWNTOWN OFFICE SF
Topeka, KS	**240,000**	**1%**	**2,000**	**1%**	**900**	**850K**	**7.1M**
Kansas City, MO	2,160,000	7%	9,400	39%	6,500	2.1M	20.7M
Des Moines, IA	670,000	17%	3,300	43%	2,400	1.4M	7.9M
Lincoln, NE	340,000	12%	4,600	20%	2,900	2.3M	7.4M
Chattanooga, TN	560,000	7%	11,500	14%	5,000	2.5M	9.0M
Wichita, KS	660,000	5%	1,900	26%	1,400	2.4M	6.7M
Fargo, ND	251,000	20%	3,900	19%	3,100	1.2M	1.5M
Grand Rapids, MI	1,070,000	8%	3,600	23%	2,300	1.2M	7.2M

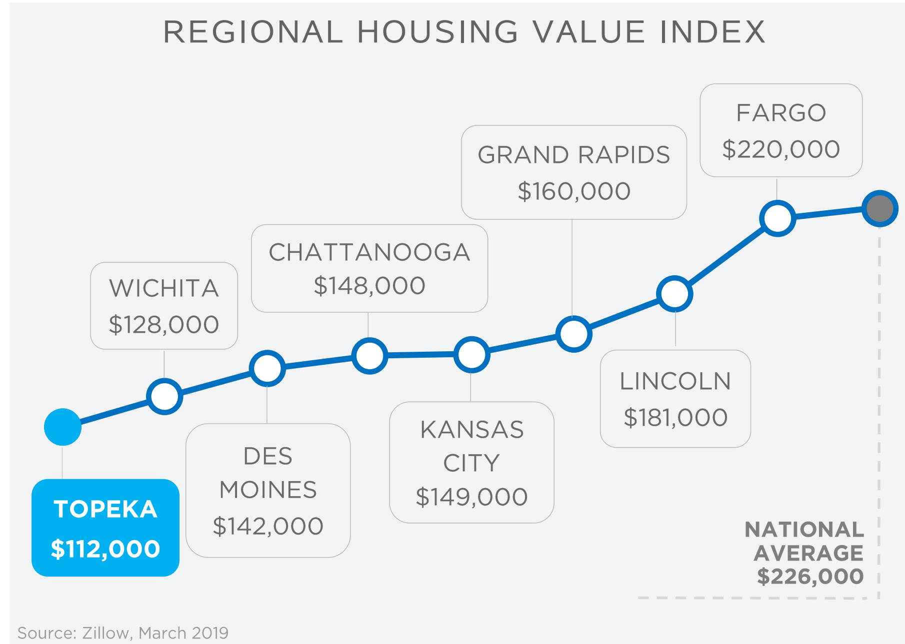
Sources: CoStar; ESRI; HUD SOCDS Building Permits Database; On The Map; Development Strategies

PEER REGIONS: HOUSING

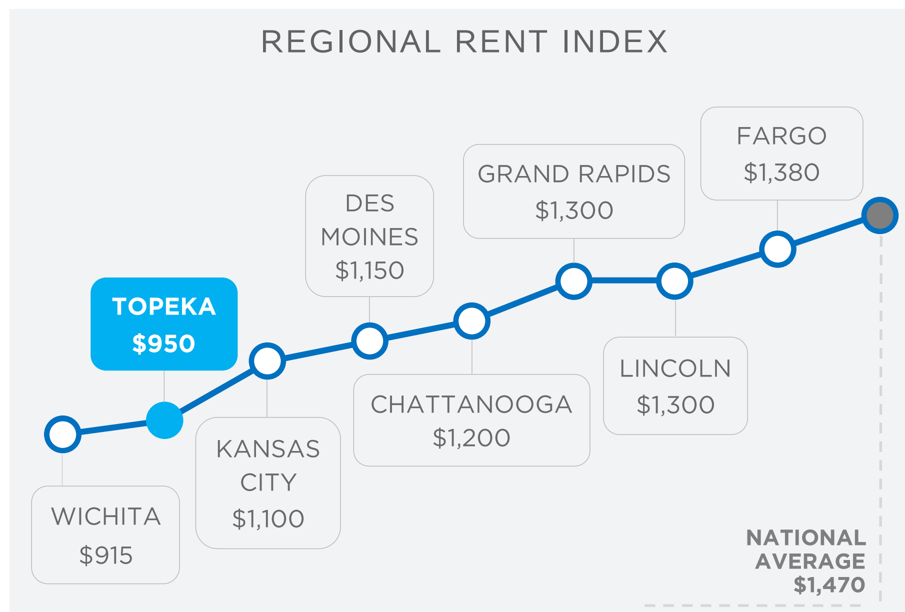
A comparison of housing values and rents can show two seemingly divergent narratives. Lower housing values can indicate affordability, but conversely, less development potential.

Housing values and rents in all of the peer regions are lower than the national average, which is expected from non-coastal communities. Rapidly growing regions tend to have higher property values given increasing demand and competition from higher-income households. Though successful downtown areas can be a key contributor, high-level shifts in home values can be mostly attributed to strong regional economic development. Regional housing markets can also predict downtown growth. So while growth in downtown housing is possible in low-growth regions, it is accelerated in high-growth and high value areas.

Zillow's Housing Value Index (ZHVI) takes into account recent sales and tax assessments as well as host of additional real estate data, including the size, age, and location of a home, to determine the median housing value in an area. The estimated median value in Topeka was $112,000 as of March 2018, which is similar to Wichita ($128,000), but below more aspirational peer cities such as Des Moines, Chattanooga, and Grand Rapids, which generally range from about $140,000 to $160,000. The Rent Index follows a similar pattern, and highlights the lack of recent multifamily development across Topeka. All this means that Topeka will likely require public-private partnerships to spur growth in the early going.



Source: Zillow, March 2019



Source: Zillow, March 2019

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PEER REGIONS: OFFICE

Though Downtown development in Topeka is in an early stage, more established downtowns are capturing a significant portion of new office construction in the urban core.

Analysis of peer cities shows that those with sustained investments in downtown placemaking have made significant gains in office development in their central cores.

Downtown Chattanooga has captured more than half of 1.8 million square feet of new office construction over the past decade, far outpacing other peer cities. This is due in part to geography, as ridges and hills hem in the Downtown area, but also represents a successful downtown revitalization strategy that has been implemented since the early 2000s. There has been considerable office development in Lincoln and Des Moines as well, with 15 to 24 percent contained within the downtown area.

In contrast, very little office construction has occurred in downtown Wichita or Springfield, Illinois, with the bulk of new development occurring within office parks around the suburban periphery. Though only a nominal volume of new office space was added to the Topeka market since 2009, the success of peer cities such as Lincoln and Des Moines suggest that a significant portion of future development could be captured downtown with an attractive mix of amenities and uses, while the success of downtown Chattanooga highlights the important of a holistic redevelopment plan that incorporates investment in infrastructure as well as real estate.

OFFICE NEW CONSTRUCTION

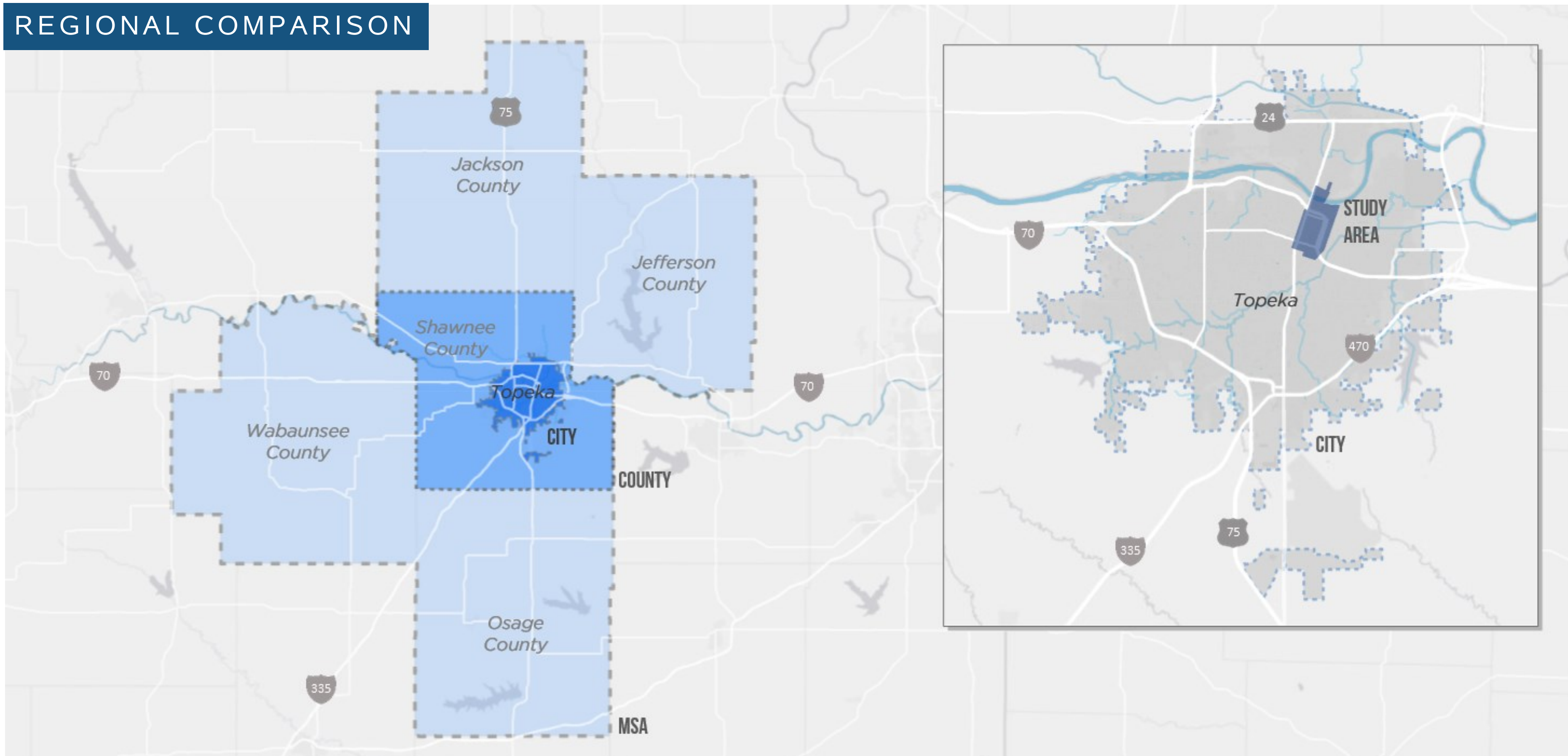
Change in Retail Square Footage, 2009 - 2018

(each square = 40,000 SF)

MSA	DOWNTOWN	DOWNTOWN CAPTURE RATE
Topeka 41,000	0	0%
Springfield, IL 270,000	0	0%
Wichita, KS 900,000	5,000	0.5%
Lincoln, NE 1,450,000	217,000	15%
Des Moines, IA 2,770,000	672,000	24%
Chattanooga, TN 1,800,000	1,040,000	58%

Source: CoStar 2009-2018

REGIONAL COMPARISON



	Downtown	City of Topeka	County	MSA
POPULATION 2018	2,000	128,300	180,300	236,300
POPULATION CHANGE 2010-2018	1.1%	0.6%	1.3%	1.0%
MEDIAN HOUSEHOLD INCOME	\$23,000	\$46,000	\$53,000	\$54,000
MEDIAN HOUSING VALUE	\$36,000	\$106,000	\$137,000	\$140,000

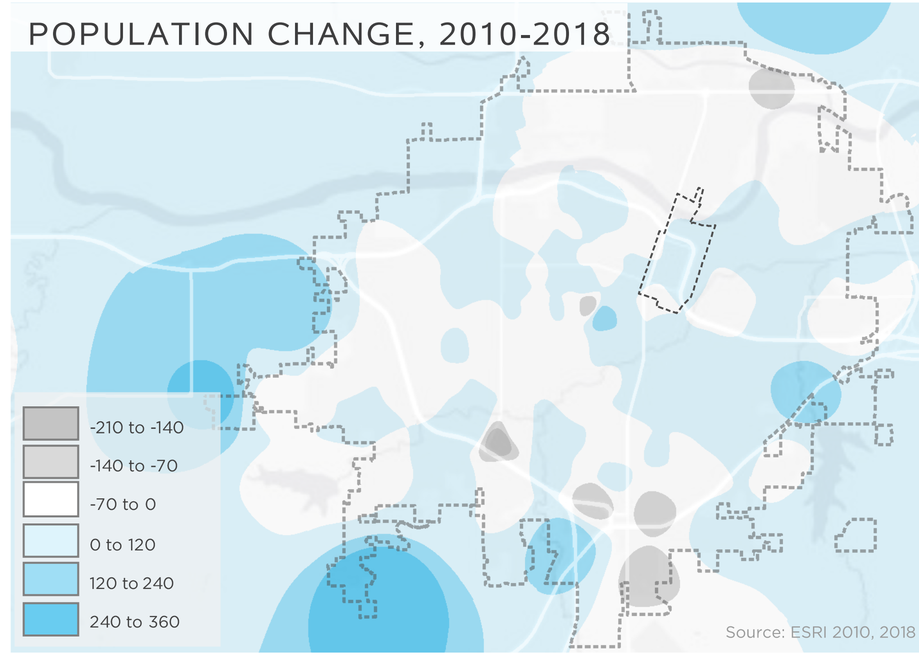
Source: ESRI 2010, 2018

DEMOGRAPHIC ANALYSIS

Since 2010, many of the close-in areas of the City of Topeka have experienced population loss and have relatively low incomes and housing values compared to the region. Downtown Topeka has been relatively stable and seen some population growth during this time, indicating good prospects for future investment.

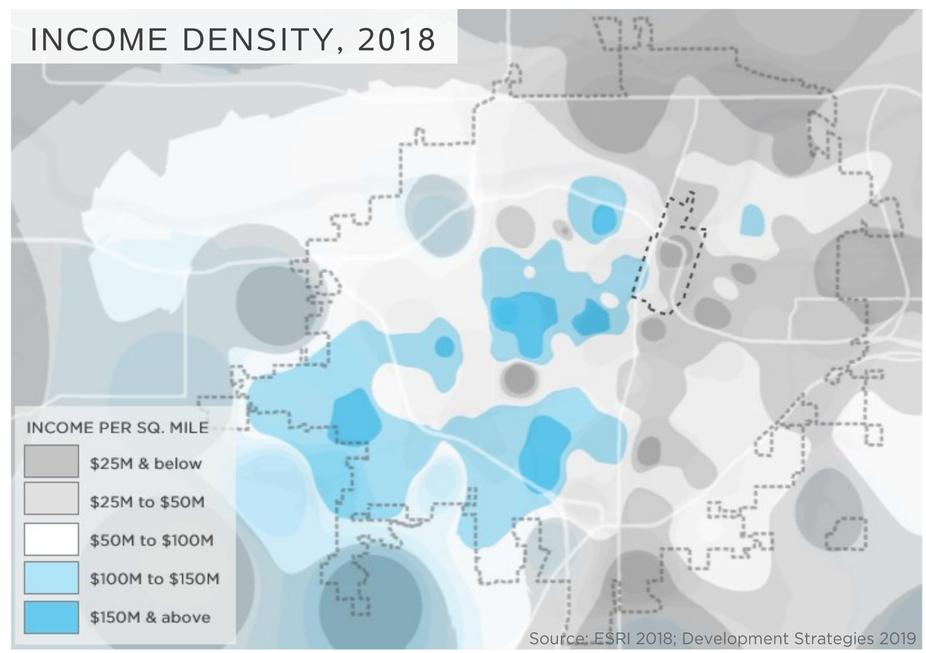
Population Change

Although there has been some population growth for the Downtown region, the pace has slowed down significantly since 2010 in comparison to the previous decade. Since 2010, with the exception of the downtown and the neighborhoods to its east, most areas within the city have experienced disinvestment and population loss. However, many neighboring communities outside the city limits, particularly to the southwest, have captured much of the regional growth for more than a decade.



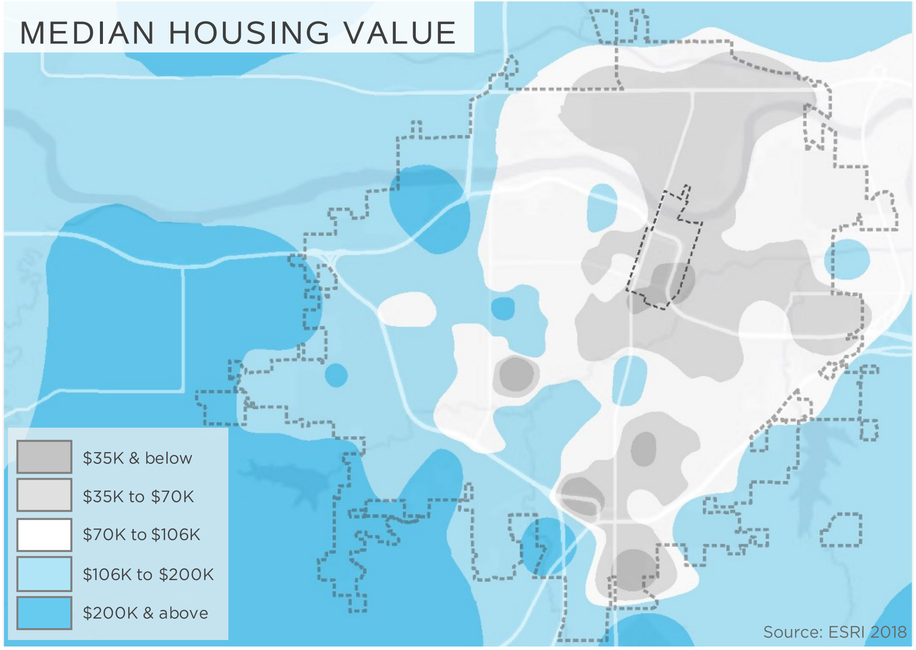
Income Density

Most new development and growth in Topeka over the past 20 years occurred on the outskirts of the city. This includes newer retail development along Wanamaker, office development in west Topeka, and new residential subdivisions outside of I-470. However, an interesting trend is evident when income density is considered: a substantial amount of income and/or wealth is concentrated in Topeka's older, close-in neighborhoods, particularly in the neighborhoods around Washburn University. These households are very close to Downtown and are a potential market that could be attracted to spend more and support businesses and restaurants.



Housing Values

The distribution of housing values follows similar patterns as median household income with some of the highest housing values in the region in the communities southwest of the city limits. Property values are the highest in the neighborhoods west and southwest of the city. The success of the Downtown is very much aligned with the success of adjacent neighborhoods. Neighborhoods surrounding the Hospital district and Washburn University enhances downtown marketability and presents potential opportunities for new investment. Additionally, targeted investments in the downtown has the potential to encourage demand in the economically distressed areas to its east, and thereby lead to much-needed growth in the housing values in those neighborhoods.



KEY METRICS
TOPEKA

11,800 population gain in region since 2000—a 5% increase—most of which (9,300) occurred in the 2000-2010 period

1% change in Downtown Topeka's population since 2010 (versus 11% during the 2000-2010 period)

3.3% projected annual median household income growth in Downtown Topeka from 2018 to 2023 (versus 1.9% in the region)

23% of city residents (aged 25+) have college level education (versus 21% nationally)

32% of city's population is between 25 and 49 years old—2% higher than the region

27% of city households with annual incomes of $75,000 or more

Source: ESRI 2018

ECONOMIC AND INDUSTRY DATA

Though recent employment growth has been relatively slow, Shawnee County has added more than 5,000 jobs since 2010, many of which are in downtown-centric sectors including finance, management, and healthcare.

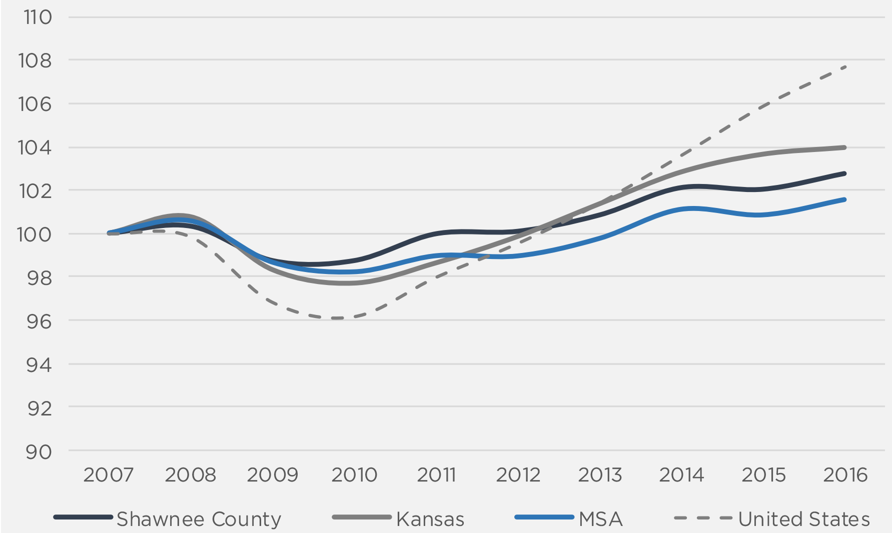
As the state capital, Topeka was relatively insulated from the most significant impacts of the recent recession. While other Midwest cities experienced overall employment decline as high as six percent, Shawnee County saw a decrease of just 1,500 jobs—slightly more than one percent—between 2007 and 2010. However, recent growth has been mixed, and offset to a degree by sharp declines in government employment.

While data from the Bureau of Economic Analysis shows a decrease of more than 1,600 positions in state and local government offices between 2010 and 2016, a portion of these employees have been re-hired in other sectors, such as management or administrative support. At the same time, the regional economy continues to diversify with relatively strong growth in service-based industries, which presents opportunities for new development in Downtown, since many of these sectors are supported by a talented workforce seeking walkable living and working environments.

Overall employment trends for the state, MSA, and county have been similar, with relatively modest recession declines followed by slow growth that continues to lag behind the national average. However, there are several target industries where job growth has been more promising. Topeka's already strong Finance and Insurance sector has grown about 12 percent since 2010, adding more than 900 jobs, while more modest, but still encouraging growth in Educational Services and Health Care range from about 300 to 500 positions. The local economy is somewhat unique in a regional context in that manufacturing sector has grown slightly, while construction continues to expand despite nominal population growth. However, national and global trends indicate a continued shift towards a knowledge-based economy, and improving the competitive positioning of Downtown will be even more critical for providing the amenities, office space, and residential opportunities that support these industries.

RELATIVE EMPLOYMENT CHANGE, 2007-2016

Index: 2007=100



Source: U.S Bureau of Economic Analysis (BEA) 2018

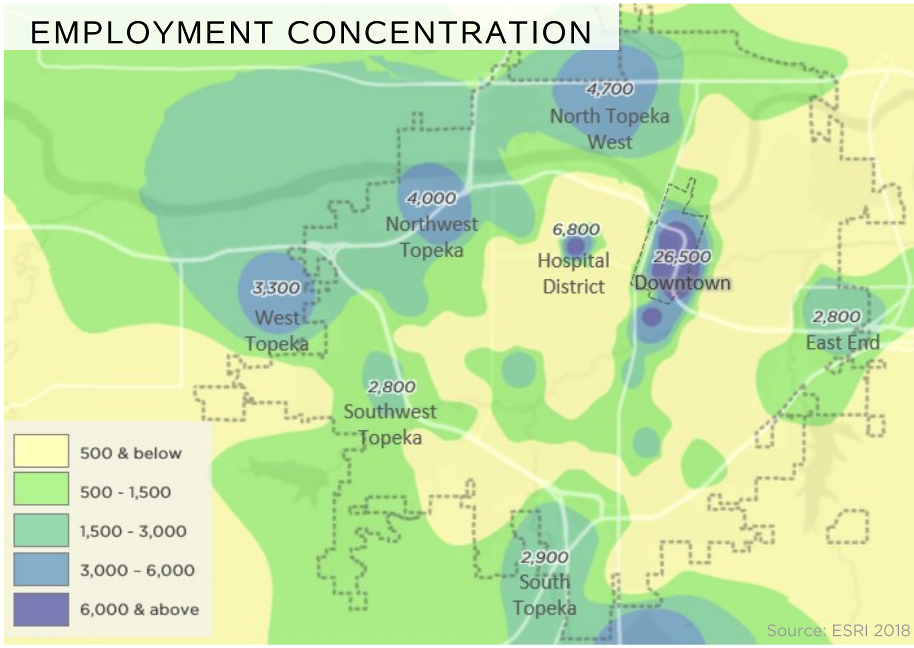
DOWNTOWN TOPEKA: A JOB CENTER

As the economic core of the region, Downtown Topeka weathered the recent recession well, and has experienced modest growth in downtown-centric industries.

The importance of Downtown is apparent when viewed within the context of an employment concentration map of the city. With more than 26,000 jobs per-square-mile, Downtown supports significantly more economic activity than the areas surrounding Stormont Vail Hospital (6,000), the Goodyear manufacturing facility (4,700), and Security Benefit (4,000).

Downtown's employment mix highlights its status as the state capital, with more than half of all workers in the area employed in public administration. Proportions of healthcare and blue collar workers are largely representative of the region as a whole, while the absence of retail options Downtown is equally evident within the low employment counts in the sector.

As the economy continues to shift away from industries requiring large facilities on expansive tracts of land, downtown areas now primarily positioned for knowledge-based industries, government services, and retail and hospitality. The future of housing development in Downtown Topeka is also tired to the success of these sectors, as they tend to attract a talented and highly-mobile workforce that gravitates towards urban environments. Additionally, the appeal of downtown living is contingent upon access to these jobs, amenities, and services.



DISTRIBUTION OF JOBS BY SECTOR

	DOWNTOWN TOPEKA	TOPEKA MSA
PUBLIC ADMINISTRATION	54%	18%
PROFESSIONAL/ TECHNICAL/ FINANCE	8%	8%
HEALTHCARE	5%	16%
BLUE COLLAR	16%	16%
RETAIL	4%	19%
OTHER	13%	23%

Source: ESRI 2018


NOTO
935
NOTO ARTS CENTER
LightHouse
SECURITY
266-6012
KANSAS
ARTISTS
CRAFTSMAN
ASS'N

CHAPTER 4

MARKET ANALYSIS

FOR-SALE HOUSING OVERVIEW

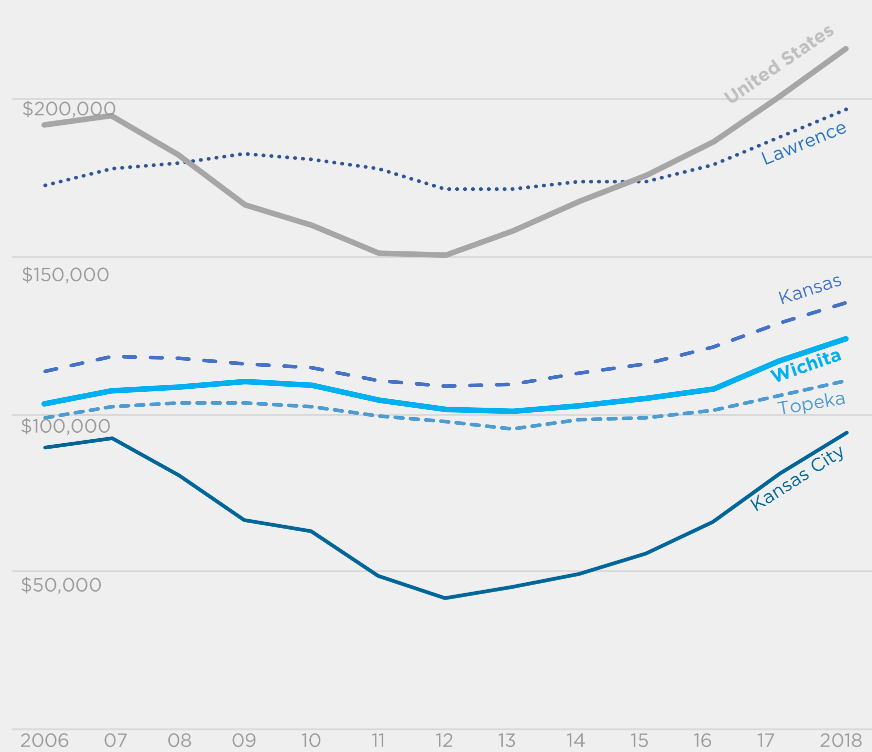
The national for-sale housing market recently recovered fully from the Great Recession as average values now exceed pre-Recession levels. The market in Topeka improved modestly and there will be increased opportunities for new for-sale housing development as the market continues to improve

The national for-sale housing market collapsed following a flurry of building activity from the late 1990s to 2006. Most cities in Kansas experienced modest declines in home values—this impact was far less significant than in areas in the south and on the coasts. Due to national migration patterns prior to the Great Recession, property values in the major Kansas population centers did not appreciate at the same rapid pace as the national average, which lessened the impacts on statewide housing markets.

As the state capitol, the Topeka for-sale market has remained stable, though home values remain slightly below Wichita and well below Lawrence, which is buoyed by the presence of the University of Kansas. In contrast, the Kansas City, Kansas market has been more volatile and was significantly impacted by the foreclosure crisis caused by the recession. Home values only recently surpassed pre-recession levels, as home buyers continue to show a preference for Johnson County.

The Topeka single-family market remains strong due to a lack of new construction and the existing supply of mid-range and entry-level homes cannot keep pace with demand. Though the relatively swift home value appreciation of the last several years has begun to slow at the national level, values will likely continue to increase locally given the limited inventory.

HOME VALUE INDEX
March 2006 - March 2018



Source: Zillow

RENTAL HOUSING OVERVIEW

The rental market continues to strengthen nationally as homeownership rates decline and housing preferences change. This creates the opportunity for new rental housing products designed to meet current market demand, particularly in walkable environments.

Affluent Households increasingly Choose to Rent: From 2009 to 2017, the proportion of households earning more than $50,000 that rent increased by more than 25 percent both in Topeka and at the national level.

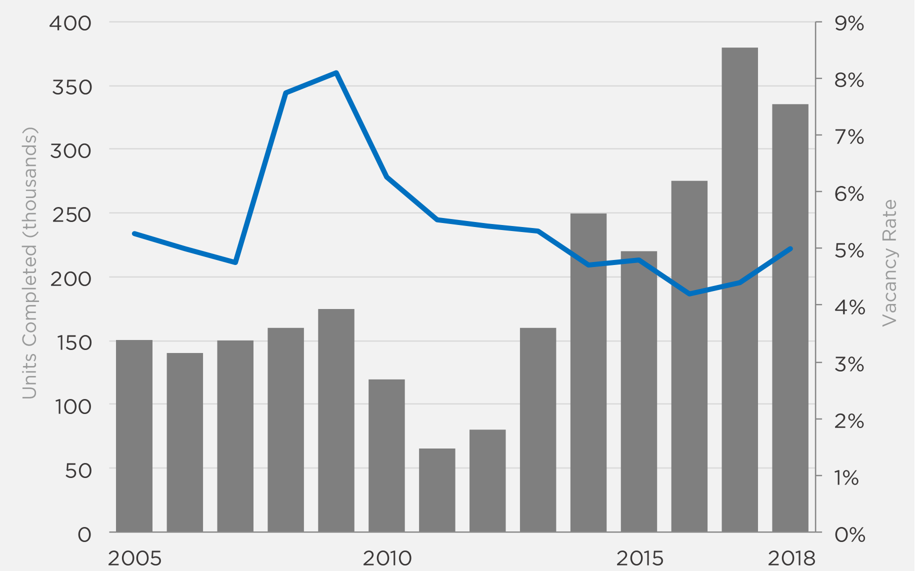
Rents Continue to Rise, but Slowly: Average rents increased about three percent in 2018—the ninth consecutive year—but could slow further this year as a significant number of additional units are added to the market.

Strong Rental Demand Remains for Midscale Products: While the national vacancy rate for Class A multifamily properties increased to about seven percent in 2018, average vacancy for Class B and C properties remains below five percent.

Interest Rate Trends Are Uneven: Mortgage rates rose steadily through 2018—widening the affordability gap between homeownership and renting—but reversed course in early 2019. This, combined, with a lack of supply of quality entry-level, or starter, homes, will sustain strong demand for rental housing.

Homeownership Remains Down: Homeownership rates fell across all age groups following the recession, but the biggest drop has been among those aged 25 to 34. Today, only 39 percent of households in this group own a home, compared to nearly 60 percent in the previous decade. Although the homeownership rate for this age cohort is recovering, they it is projected to remain well below the pre-recession level.

NATIONAL COMPLETIONS VS. VACANCY



Source: U.S Bureau of Economic Analysis (BEA)

COMPETITIVE NEIGHBORHOODS

An important benchmark for market rate housing in Downtown Topeka is the competitiveness of other neighborhoods throughout the region. Housing is generally affordable in Topeka, which means new products will need to be competitively priced and close to amenities.

Topeka has a relatively tight band of close-in urban residential neighborhoods and development becoming increasingly suburban in character near the interstate.

Immediately west of downtown, the Potwin neighborhood is anchored by grid of brick boulevards and roundabouts and has large Victorian homes set back on deep lots. Though the largest homes generally sell for $300,000 or more, there is also a significant supply of more modest properties priced in the $150,000 to $200,000 range in the adjacent Ward Meade and Greater Auburndale areas. Built in the early 1900s, these homes require additional maintenance and upkeep due to their age, but are marketable historic properties, offering excellent access to city amenities and services.

Further southwest, the Westboro area includes a more diverse mix of mid-century homes situated in large residential neighborhoods on either side of Gage Boulevard. Properties in this area have equally good access to newer retail development along Wannamaker Road and Downtown, while Gage Park is a popular 160-acre urban green space. Homes in the gated Westboro Place generally sell for $250,000 or more, while more affordable options in the $150,000 range are scattered throughout neighborhoods to the west and south.

South Topeka is a densely-developed residential area typified by a large supply of affordable single-family ranch and split-level homes built in the 1960s and 1970s. Older, lower-midscale multifamily properties are scattered along main thoroughfares, while retail in the area is generally older, and lower-quality. However, the area is within a ten-minute drive of downtown, and an abundance of recent sales have been in the low $100,000 to $150,000 range.

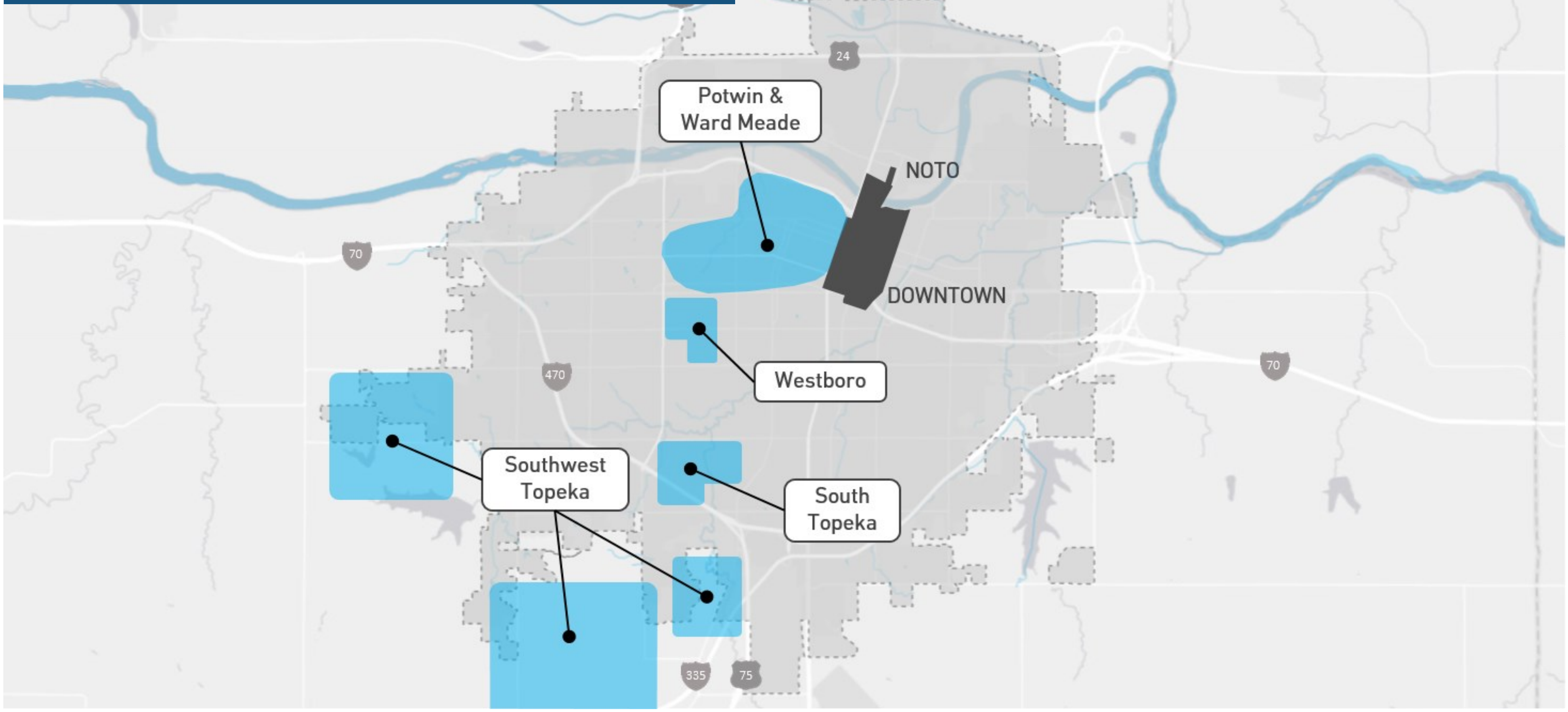
Recent single-family development has occurred almost entirely outside of the Interstate 470 belt. Though the city has a very limited number of homes priced in the $350,000 to $400,000 range, a large share are located near Sherwood Lake. Homes constructed in the early-to-mid 2000s are located along South Wannamaker Road, with most recent sales in the low-to-mid $200,000 range. Here, new or recent construction is particularly marketable compared to older, close-in homes, as even suburban location at the edge of the city limits is within a 15-minute drive of Downtown.

This has strong implications for the study area. Since these competitive neighborhoods are more evolved, new housing products Downtown must be attractive enough to target households that would be willing to spend more for a unique housing product in an urban environment. Given the relative affordability of for-sale housing in these neighborhoods, the Downtown rental market has more potential by offering a high-quality urban product that is otherwise unavailable in the region.

New Construction

Historic

COMPETITIVE NEIGHBORHOODS: HOUSING



		Potwin/Ward Meade	Westboro	South Topeka	Southwest Topeka
MEDIAN SALE PRICE	2B	$135,000	$140,000	$110,000	$160,000
	3B	$170,000	$175,000	$150,000	$215,000
MEDIAN HOME SIZE	2B	1,450 SF	1,500 SF	1,650 SF	1,700 SF
	3B	1,700 SF	2,200 SF	2,000 SF	2,600 SF

Sources: Zillow; Development Strategies, 2017

RESIDENTIAL DEVELOPMENT TRENDS

Residential development activity in Downtown Topeka has been intermittent, but is representative of slow growth city-wide.

The overall supply of multifamily units in the study area is limited. Currently, just over 500 units are contained within a handful of small properties, mainly concentrated along the Topeka Boulevard corridor. Overall vacancy in the study area is approximately ten percent and rent growth has been nominal, at less than one percent over the past year. These trends are largely representative of Topeka as a whole, which has not added any many multifamily units during the past twelve months. The study area inventory represents less than four percent of Topeka's city-wide multifamily supply of about 13,000 units, which has a slightly lower overall vacancy of about eight percent and modest rent growth.

Though the overall numbers remain small, continued investment in commercial properties, particularly along Kansas Avenue, have made Downtown increasingly attractive for residential development. Scattered loft properties have been completed above first-floor retail, while a small number of larger warehouse or industrial properties have been targeted for conversion to the north near the riverfront. Additional investment in public spaces, such as the Evergy Plaza near 6th Street, will help sustain this momentum.

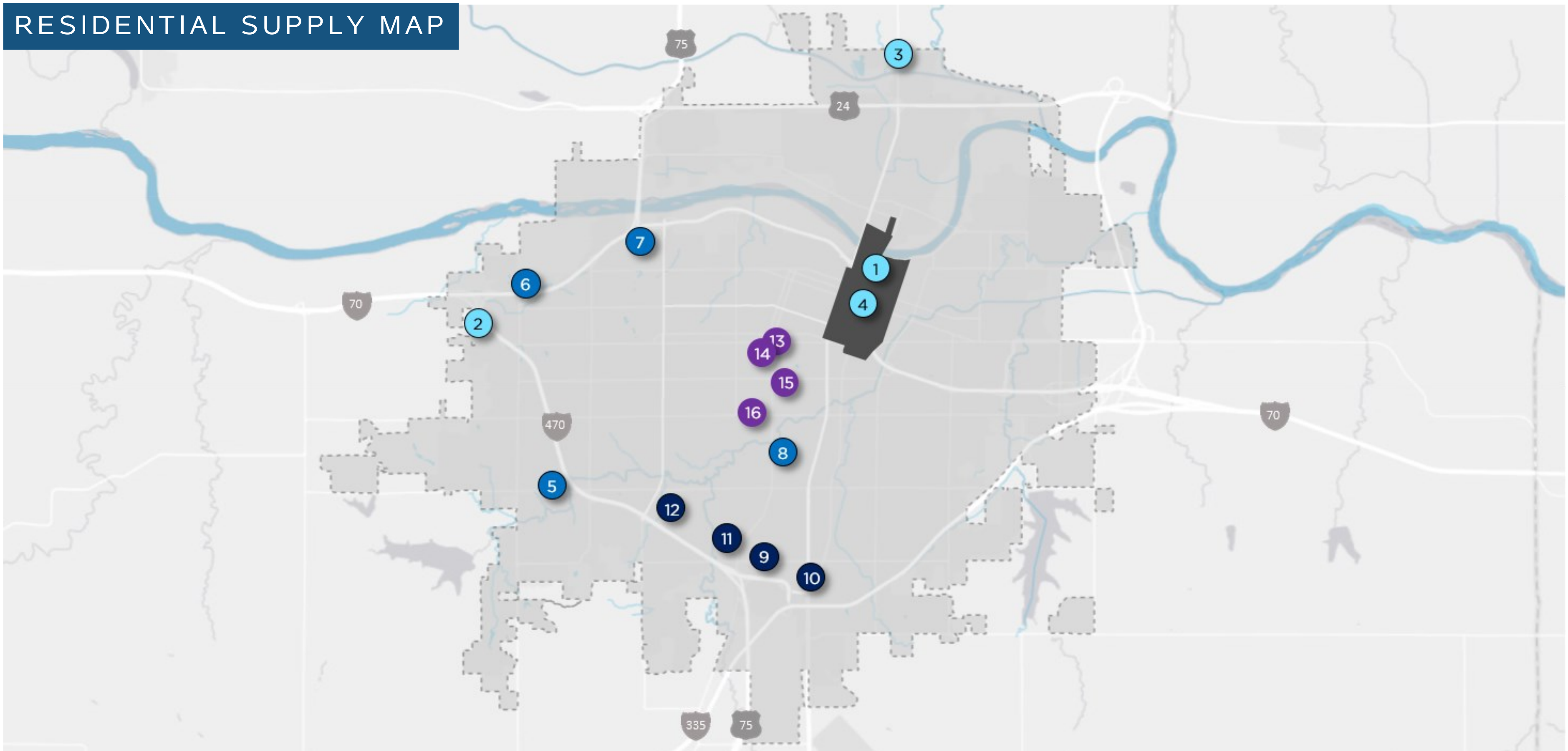
Single-family trends are mixed. While the for-sale market has been very active, new construction has been limited. Only a handful of homes have been constructed in the past year, nearly all of which have been in southern Topeka beyond Interstate 470. Homes to the southeast are relatively affordably in the range of \$200,000 to \$250,000, while larger homes to the southwest near Sherwood Lake are positioned in the \$300,000 to \$400,000 range.

The overall quality of the existing housing stock in NOTO has been a barrier to wide-scale residential development in the area. Though the North Kansas Avenue corridor has been increasingly active, significant vacancy and long-term neglect of the wood-frame homes in the adjacent neighborhoods limit the area's marketability. There are essentially no quality multifamily properties, and the vast majority of single-family homes sell for less than \$50,000. However, this affordability may be an opportunity for the growing arts district, as targeted incremental interventions could help stabilize the neighborhood, making it more attractive for redevelopment in the long-term.

The Pennant

NOTO Arts Center

RESIDENTIAL SUPPLY MAP



New Construction/Rehab	Midscale	Lower Midscale	Student Housing
1 101 N Kansas Ave 1900/2018 33 Units	5 Sherwood Apartments 1988 300 Units	9 Park South Apartments 1970/2018 234 Units	13 The Lofts at College Hill 2008 220 Units
2 The Overlook 2001 318 Units	6 Crown Colony Apartments 1982 220 Units	10 White Lakes Plaza Apt Homes 1973 144 Units	14 Washburn Place 1998 28 Units
3 Woodland Park at Soldier Creek 2004 236 Units	7 Charlet 1983 233 Units	11 La Casa Grande Apartments 1969 191 Units	15 Washburn North 1971 21 Units
4 Downtown Lofts 2017-2019 75 Units	8 Trianon Apartments 1966 88 Units	12 Whitehall Apartments 1979 74 Units	16 Mount Vernon Apartments 1947 111 Units

Sources: Zillow; Development Strategies, 2017

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SUPPLY: RENTAL OVERVIEW

Topeka rental housing stock lacks diversity in terms of the types of properties and units available. A broad range of products are possible, and in demand. This study surveyed a broad range of existing properties and identifies typologies that are currently lacking.

Rental properties across Topeka were surveyed to determine rents and occupancies in the market, as well as to gain an understanding of achievable rents relative to a property's age, location, and level of finish. The following is an analysis of the most relevant properties:

Upscale Loft Rehabs: Most rental units added in and around Downtown over the past decade are contained within rehabbed residential spaces above first-floor retail. Though none of these units are truly "luxury", they generally include upscale finishes, materials, and details that are superior to older garden-style apartment communities common outside of Downtown. Unit layouts are spacious, though community amenities are generally limited given the mixed-use nature of the buildings. Rents at these properties generally range from $0.85 to $1.20 per square foot, depending on unit size and layout.

Contemporary Suburban: A small number of properties are located along Topeka's northern and western periphery and were constructed during the past 15 years. Though generally suburban in character, most are finished with a mix of vinyl siding and masonry veneer, and set back along large surface parking lots—they offer large units with contemporary finishes and generous development amenities. These properties are positioned near the top of the local rental market, with average rents ranging from $1.00 to $1.30 per-square-foot.

Midscale Apartments: Most of the existing multifamily supply falls in this category. Midscale properties generally consist of large garden-style apartment communities built in the 1980s or early 1990s, and also include older properties that have been periodically renovated and well-maintained. Many of these units are located near the Interstate 70 and Interstate 470 corridors to the west of the Downtown core. Though these locations are almost entirely car-dependent, they offer good access to retail and daily services. Rents for Midscale properties generally range from $0.70 to $1.15 per-square-foot.

Lower Midscale: Properties in this category are similar in terms of character, scale, and design to Midscale communities, but are older, and not adequately maintained. Lower Midscale properties remain competitive due in large part to their affordability—rents generally range from $0.65 to $0.85 per-square-foot—particularly among younger renters. In Topeka, these properties are clustered south of Downtown near the intersection of Interstate 470 and Burlingame Road, Topeka Boulevard, and Kansas Avenue.

Affordable Housing: Affordable properties are generally those that target households earning 30 to 60 percent of area median income. Apartment development is facilitated with tax credits through the Low Income Housing Tax Credit (LIHTC) program. Limits are set on household earnings for qualifying tenants and rents that can be charged.

Luxury Apartments: These property types include new construction apartment properties developed at medium to high densities with high-end finishes and amenities in prime Downtown locations. This product type is currently absent from the Topeka market, though demand could grow in the future as market conditions improve.

SUPPLY: TOPEKA PROPERTIES

A handful of historic loft conversions were recently completed Downtown; however, most multifamily units in Topeka are contained in traditional, suburban, garden-style communities

The redevelopment of several commercial buildings along Kansas Avenue has provided some momentum for residential uses Downtown. These developments were undertaken by a small number of individual developers, and are not yet representative of a broad trend. These units make up a very small portion of the overall rental supply in Topeka, which includes a mix of garden-style multifamily communities built over the past 50 years. Though they vary widely in terms of condition and age, the overall design and construction of these properties are similar. They are located on large development sites outside of the urban core, and most consist of 10 to 20 two- and three-story buildings situated around ample surface parking with centralized community amenities.

Overall, the correlation between the age and quality of existing market rate rentals is clear, as the current supply of Upscale units in the market is comprised entirely of units built or rehabbed since 2000. These apartments are generally very large—one-bedroom layouts average more than 800 square feet, while two-bedroom layouts average 1,100 square feet—while loft units leverage open layouts and large windows to maximize natural light and highlight the building's architectural character. Garden communities are more traditional in terms of design and layouts, but offer similarly spacious units, and a greater range of unit types, including three-bedroom layouts.

Amenity packages are generous and include stainless steel appliances, in-unit laundry, and granite countertops. Average rents for upscale units range from $0.85 to $1.30 per square foot with overall occupancy rates above 95 percent. The limited supply of Downtown historic rehabs have performed particularly well. Units are often pre-leased or leased immediately upon completion, suggesting additional unmet demand.

Student housing near Washburn University includes a mix of contemporary properties with older, lower-cost alternatives, while affordable and subsidized rental options are also prominent, However, each caters to a unique submarket that will be assessed separately in this report.

101 N KANSAS AVE

UPSCALE REHAB

Built 1900
(Under renovation)

33 units

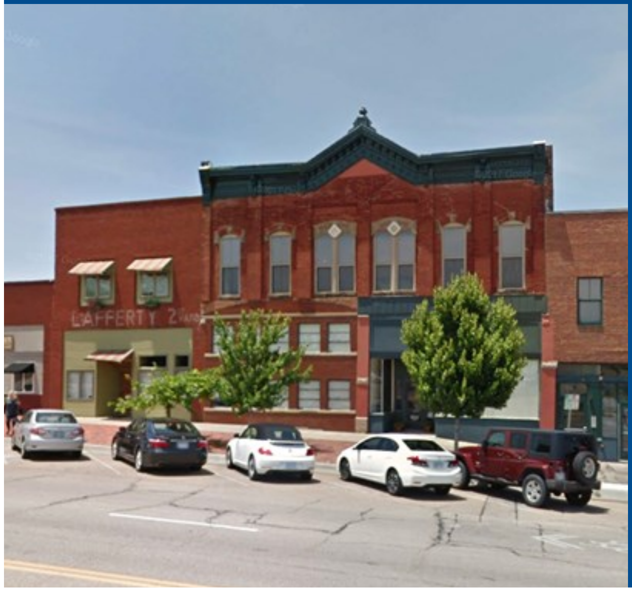
850 —1,200 SF

$1.12—PSF

Average Rent

2BR: $1.12/SF

DOWNTOWN LOFTS



UPSCALE REHAB

Built 2017-19

75 units

800—2,500 SF

$0.54—$0.81 PSF

Average Rent

1BR: $0.81/SF

2BR: $0.54/SF

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SUPPLY: TOPEKA PROPERTIES

The primary difference between Topeka's upscale and midscale supply is age. The garden-style construction of midscale properties is similar to properties built in the early-to-mid 2000s, but communities in this category are 30 or more years old. While many amenities are similar, finishes are dated. Typically, the development of new and upscale multifamily properties puts downward pressure on the midscale supply, but due to the lack of new construction in the market, Midscale properties have maintained rental rates around $1.00 per square foot despite their condition and age.

Salient differences in achievable rents are more dramatic among Lower Midscale properties. These properties are older and have not been maintained to a similar standard. Rents among Lower Midscale properties are about 25 percent below comparable Midscale units, but occupancy rates remain relatively high due to their overall affordability and generally marketable locations.

Overall, the Downtown market has shown a steady appetite for new units despite limited development volume, building on shifts in demographics and consumer preferences while leveraging previous investment in public spaces and infrastructure. However, current achievable rents are relatively low compared to peer cities despite a competitive Downtown rental product. Targeting development efforts towards key Downtown sites to create a diverse urban neighborhood around these products will be key to attracting and retaining renters.

THE OVERLOOK

NEW CONSTRUCTION

Built 2001

318 units

886—1,326 SF

$0.73—$1.17 PSF

Average Rent

1BR: $1.17/SF

2BR: $0.96/SF

3BR: $0.86/SF

WOODLAND PARK AT SOLDIER CREEK

NEW CONSTRUCTION

Built 2004

236 units

705—1,065 SF

$0.79—$1.24 PSF

Average Rent

1BR: $1.24/SF

2BR: $1.06/SF

3BR: $0.92/SF

CASE STUDY

CROSSROADS WESTSIDE
Kansas City, Missouri

UNITS	DENSITY
221	40 units/acre

UNIT SIZE	RENT PSF
700-1,100 SF	$1.60-$1.80
1,150-1,250 SF	$2.00-$2.10

The Crossroads neighborhood has seen significant redevelopment activity in the past two decades. Crossroads Westside was built in 2018 and is representative of this growth, occupying a former industrial site along the interstate.

APEX AT QUALITY HILL
Kansas City, Missouri

UNITS	DENSITY
138	60 units/acre

UNIT SIZE	RENT PSF
850-1,250 SF	$1.40-$1.75
1,000-1,200 SF	$1.80-$2.00

The Quality Hill neighborhood is located just west of Downtown Kansas City. Apex's units are relatively large, and the property includes upscale community amenities. The infill construction is modern, but consistent with surrounding uses that include a mix of historic residential properties.

TROLLEY PARK LOFTS
Kansas City, Missouri

UNITS	DENSITY
56	50 units/acre

UNIT SIZE	RENT PSF
700-1,000 SF	$1.25-$1.40
920-1,100 SF	$1.45-$1.55

Trolley Park Lofts includes a 56-unit residential component as well as ground and mezzanine level office space. The building was originally constructed in 1907 as a shoe factory and is located in Kansas City's Garment District.

Sources: Zillow 2019; Development Strategies

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SUPPLY: FOR SALE

There is essentially no active for-sale market in the study area. However, as development momentum continues to build over the next several years, a variety of for-sale products may be feasible.

For-sale activity in the study area over the past twelve months has been limited to a total of 13 transactions, the majority of which consisted of vacant, dilapidated single-family properties near NOTO. A small number of stabilized homes in the neighborhood sold for about $50,000, while a single condo sold along Kansas Avenue Downtown in mid-2018.

The broader Topeka for-sale market consists primarily of single-family homes, though some older condo and duplex units are clustered around the city's southern periphery. Over the past decade, new single-family construction emerged to the southwest near Sherwood Lake, with a smaller cluster emerging in the Elmont area of northern Shawnee County.

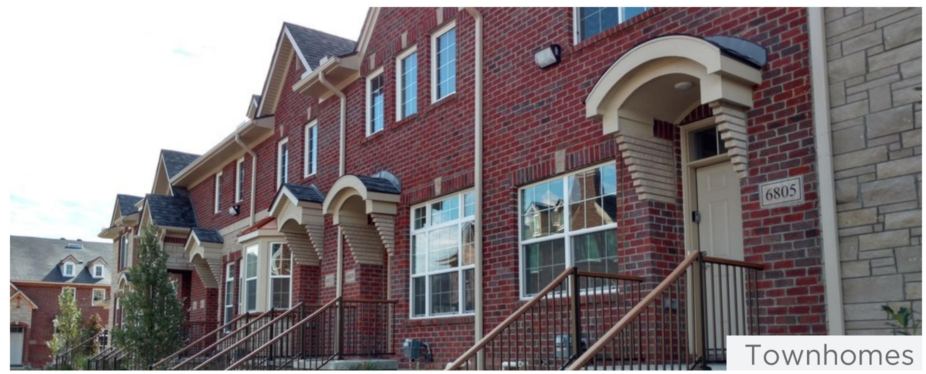
Because opportunities for development, redevelopment, and renovation vary greatly depending on site-specific opportunities, this study surveyed several different property types. No one property type is relevant to every site, but each the property types surveyed have relevance for some part of the study area. The properties surveyed can be roughly broken down into the following typologies, although there is overlap between categories:

Rehabbed Condos: This typology does not currently exist in the market, but would consist of historic commercial or industrial properties that are rehabilitated into for-sale condominiums. They would be very similar to the loft apartments that have been developed along Kansas Avenue and are most relevant in Downtown. They can be positioned anywhere on a scale from mid to luxury, depending on location and level of finish, but are limited by the availability of appropriate building stock for renovation and /or conversion.

Luxury Condos: This is a relatively limited product type and is risky to develop in today's economic/financial climate, though conditions have improved over the past several years. Luxury condos can consist of either new construction or historic rehab, and are generally developed in prime locations Downtown, or, in the long-term, near the riverfront.

Infill and Townhouse Development: Essentially no infill development has occurred in the study area due to the constraints of urban land economics. However, townhomes are marketable and would succeed where land costs are low.

Single-family Rehab: While there is currently insufficient market pressure to support widespread rehabs, continued commercial momentum in NOTO could lead to additional opportunities to stabilize and renovate nearby single-family homes. Though much of the existing housing stock is distressed, it remains very affordable for the growing creative community. Rehab opportunities may be limited by the age and condition of many homes, as their wood-frame construction is less favorable for renovation than all-masonry homes.



Townhomes

Condominiums

CASE STUDY

W LOFTS
Kansas City, Missouri

UNIT TYPES	MEDIAN LIST PRICE
1, 2	$260,000
UNIT SIZE	**PRICE PSF**
900-1,600 SF	$205

Located in the walkable Crossroads neighborhood of Kansas City, the W Lofts include a mix of 17 smaller layouts within a converted film warehouse. Individual units were marketed as shells beginning in 2005, with recent sales ranging from $230,000 to $290,000.

THE MADISON
Kansas City, Missouri

UNIT TYPES	MEDIAN LIST PRICE
1, 2, 3	$270,000
UNIT SIZE	**PRICE PSF**
1,200-2,100 SF	$155

The Madison consists of 24 attached two-story and three-story townhomes built in 2006. It is well-located near the Country Club Plaza shopping center, and offers upscale finishes and contemporary design.

CONOVER PLACE
Kansas City, Missouri

UNIT TYPES	MEDIAN LIST PRICE
2	$425,000
UNIT SIZE	**PRICE PSF**
1,650-2,000 SF	$230

Conover Place is positioned near the top of the Kansas City condo market. It was one of the earlier industrial rehabs in the River Market North neighborhood—completed in 2002—but offers large layouts, below ground parking, and luxury finishes.

Sources: Zillow 2019; Development Strategies

SUPPLY: AFFORDABLE

Affordable housing has a negative stigma in some communities. However, quality affordable and mixed-income communities provide a valuable housing option and are often key components of Downtown revitalization strategies.

Affordable housing is a useful component of a larger strategy to ensure demographic, economic, and housing diversity in the Downtown area. Modern affordable models are a distinct departure from the subsidized high rises common in the 1960s and 1970s, and offer attractive mid-rise construction and increasingly robust amenities that are similar to other contemporary apartment communities. While a variety of affordable housing programs are available, LIHTC communities—affordable communities financed with Low-Income Housing Tax Credits—Section 8 communities, and public housing are most common. Each targets households with incomes below the area median, but there are key differences in how they operate and the tenants they serve.

LIHTCs provide an incentive for private developers to build housing for that would not otherwise generate a sufficient profit to warrant investment. These credits allow the developer to offer units at below-market rents to low -to-moderate-income households. Unlike Section 8 or public housing, LIHTC units are not subsidized. In practical terms, this creates a minimum income requirement for tenants, as they must be able to pay the full monthly rent without additional assistance. This minimum income differentiates LIHTC properties from many other affordable housing options as it targets households that may be overburdened by current market rents, but often have incomes too high to qualify for traditional public housing or Section 8 options.

In contrast to LIHTC properties, traditional public housing and Section 8 properties provide project-based rental assistance to fill the payment gap between a unit's monthly rent and the ability of a tenant to pay. In most instances, tenants allocate 30 percent of their monthly income towards rent and utilities, with the balance covered through HUD or another housing entity.

In practice, combining one or more of these sources with unrestricted market rate units can create truly mixed-income communities that can accommodate seniors on a fixed budget, working class families, and young professionals.

Topeka has a total supply of about 5,400 public housing, LIHTC, and Section 8 units, of which about 1,100 are located in or around the study area. This Downtown supply varies significant in age and condition. Only about 150 units have been built or significantly renovated in the past decade, while more than half—625 units—are contained within dated subsidized towers or older properties built in the 1980s. The most recently-developed properties have largely targeted senior residents, including the Tennessee Town duplexes completed in 2011, and the rehab and conversion of the historic Santa Fe Railroad office building into Pioneer Motive Place Apartments in 2012.

SUBSIDIZED HOUSING

SUBSIDIES
Direct Rent Assistance

TARGET MARKET
Eligible Low Income Households

AFFORDABLE HOUSING

SUBSIDIES
Tax Credits for Developers

TARGET MARKET
Eligible Low Income Households

WORKFORCE HOUSING

SUBSIDIES:
None

TARGET MARKET:
Middle Income Households

CASE STUDY

JACKSON TOWERS Public Housing

UNITS	YEAR BUILT
102	1969
TENANT GROUP	**UNIT TYPES**
Families, Seniors	1, 2 BR

Jackson Towers is well-located Downtown and representative of Topeka's substantial stock of older public housing communities. Though not age-restricted, the small unit types are particularly marketable among older tenants and single-person households.

OAKBROOK TERRACE LIHTC

UNITS	YEAR BUILT/RENOVATED
170	1979/1995
TENANT GROUP	**UNIT TYPES**
Families	1, 2, 3 BR

Garden-style LIHTC communities are typically concentrated outside the urban core. Oakbrook Terrace includes a wide range of unit types that can accommodate larger households, and offers a comprehensive array of centralized community amenities.

PIONEER MOTIVE POWER PLACE LIHTC

UNITS	YEAR BUILT/RENOVATED
56	1915/2012
TENANT GROUP	**UNIT TYPES**
Seniors	1, 2 BR

In smaller markets, LIHTC are often used in the conversion of historic buildings into affordable senior rentals. Former school buildings are prime candidates, but Pioneer Motive Power Place repurposed the former Santa Fe Railroad office building into 56 contemporary one-bedroom and two-bedroom units.

Sources: Zillow 2019; Development Strategies

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DEFINITION OF RESIDENTIAL MARKET AREAS

Market Areas are defined by hard and soft boundaries, as well as consumer preferences. Analysis of these market areas provides useful insight into the types of demographic groups that would be attracted to living in a walkable, mixed-use environment.

In market analysis, a Primary Market Area (PMA) is typically defined as the smallest geographic area from which a high percentage (often 75 percent) of support for a project will be drawn. In some cases, particularly in large metropolitan regions, a Secondary Market Area (SMA) is identified as the origin for most of the remaining support, to focus the analysis on the most relevant geographies for a project. Market boundaries are sometimes defined by hard boundaries, such as rivers, highways and other major thoroughfares, railroads, etc. Often, market areas are defined by soft boundaries—that is, marked changes in socio-economic condition, such as income, density, ethnicity, and educational attainment. Additionally, this study relied partly on geo-demographic segmentation analysis, which considers not only conventional demographic variables like age and income, but also neighborhood preferences (i.e. geographic characteristics) and culture, values, and buying habits (psychographic variables). As a result, the market boundaries are not only defined by hard and soft boundaries, but by clusters of households with similar lifestyle preferences.

For Downtown Topeka, the PMA extends primarily to the south and west, and includes close-in residential neighborhoods inside the Interstate 70 and Interstate 470 loop. Railroad tracks form the eastern boundary—neighborhoods in these areas are generally lower income and the quality of housing stock declines considerably—while NOTO forms the boundary to the north. The market area incorporates a mix of demographics, affordability levels, and housing typologies, but given urban conditions and proximity, households living in this area would be the most likely support new housing downtown. The SMA extends to the north, east and west, and captures new suburban growth outside of Topeka's core, ending at the metro development boundary. Though housing density is lower, Downtown could also appeal to renter households living in garden-style apartments or smaller rental units seeking more walkability.

Demand Analysis

Determining market demand is complicated. For instance, conventional market analysis looks specifically at income variables in the market area, without consideration of consumer preferences, while target market analysis utilizes consumer preferences, but relies on national averages. Other types of analyses measure demand from very specific populations. Ultimately, several methods have been used in this study, and are then reconciled at the end of this chapter:

TARGET MARKET
Considers consumer profiles of residents within the market area to determine desirable housing products.

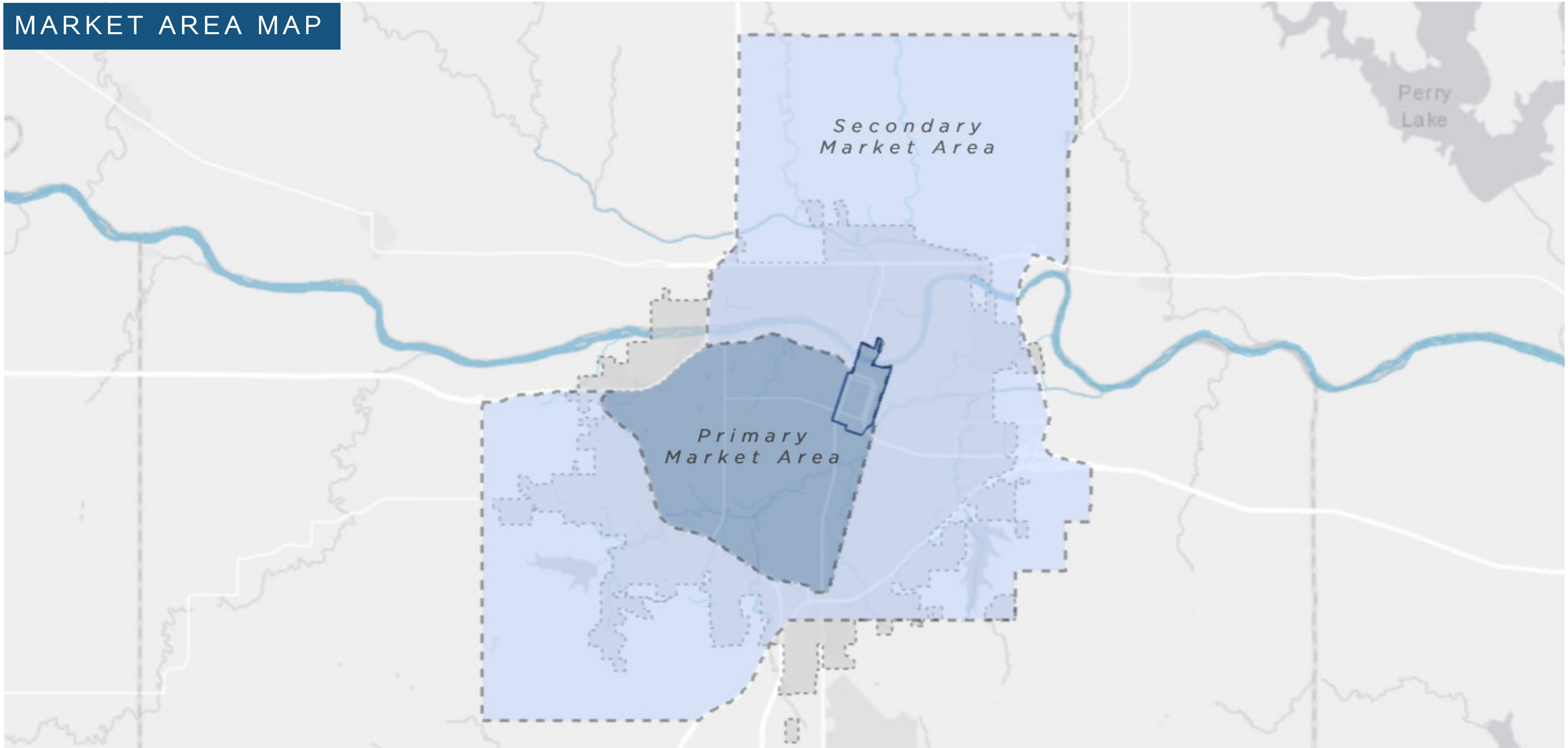
CONVENTIONAL
Assesses income variables within the defined market areas to determine the amount and types of units that are affordable to existing residents in the region.

IN-MIGRATION
Using data from the American Community survey and target market analysis, estimates the number of residents moving to the city that would be attracted to new development near Downtown.

AFFORDABLE HOUSING
Affordable housing analysis uses conventional market demand methodology to validate a hypothetical new affordable housing development.

STUDENT HOUSING
Considers enrollment trends and housing supply at the Washburn University to determine future student housing demand

PEER CITIES
Understand the capture rates of downtown housing compared to citywide and regional housing development in peer cities can help inform realistic development goals for Downtown Topeka.



	PMA	SMA
POPULATION GROWTH 2010 - 2018	< 0.1%	1.7%
POPULATION GROWTH 2018 - 2023	0.6%	0.9%
MEDIAN HOUSEHOLD INCOME	$43,000	$56,000
MEDIAN HOUSING VALUE	$98,000	$146,000
HOUSING UNITS ADDED 2010 - 2017	430	530

Source: ESRI 2018; Development Strategies 2019

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TARGET MARKET ANALYSIS

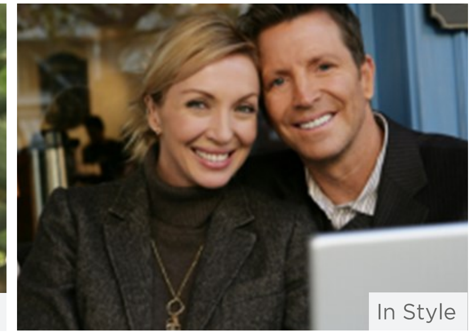
Target market analysis is used to determine demand based not only on geography and demographic traits, but also on consumer preferences. As a result, desired product types can be determined, in addition to affordability.

Just as market segmentation is used to determine tendencies to buy different types of consumer products—including products as diverse as cars, computers, and dish soap—data on market segments can be used to identify demand for different types of housing products at a particular location. The segments present in Topeka are identified using ESRI's Community Tapestry™ data, which uses algorithms to link demographic, geographic, and psychographic data to create 65 unique geodemographic segments. In other words, these "segments" are essentially 65 household groupings, each with their own unique combination of demographic (income, age, etc.), geographic, and psychographic (values, culture, etc.) characteristics.

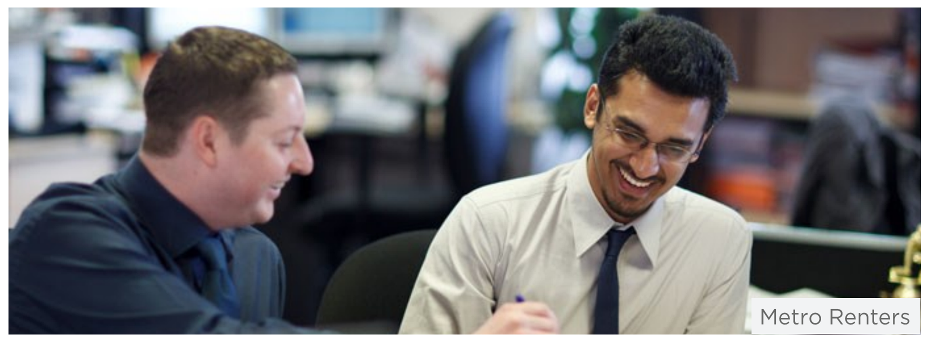
Collectively, "Displaced Urbanites" refers to a group of these segments that, through different combinations of variables, have shown a preference for residential products in close-in, dense urban areas. The most affluent of these households can afford the most expensive for-sale housing products, whereas the least affluent are likely to rent the least-expensive rental units.

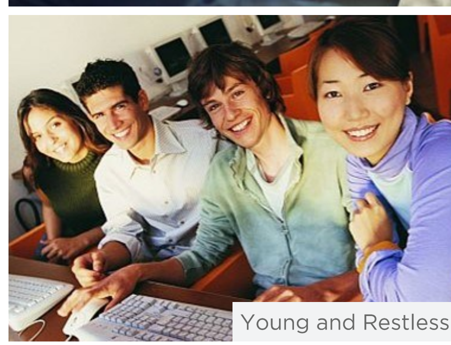
The maps on the facing page show how where these groups located in relation to Downtown Topeka and the broader region.

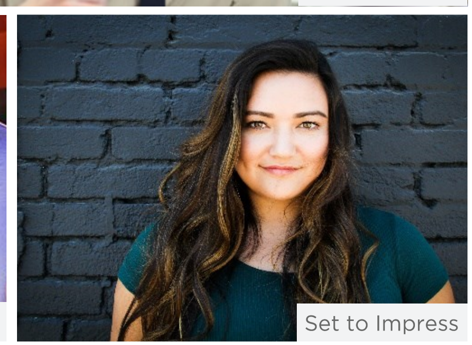

Comfortable Empty Nesters


In Style


College Towns


Metro Renters


Young and Restless


Set to Impress

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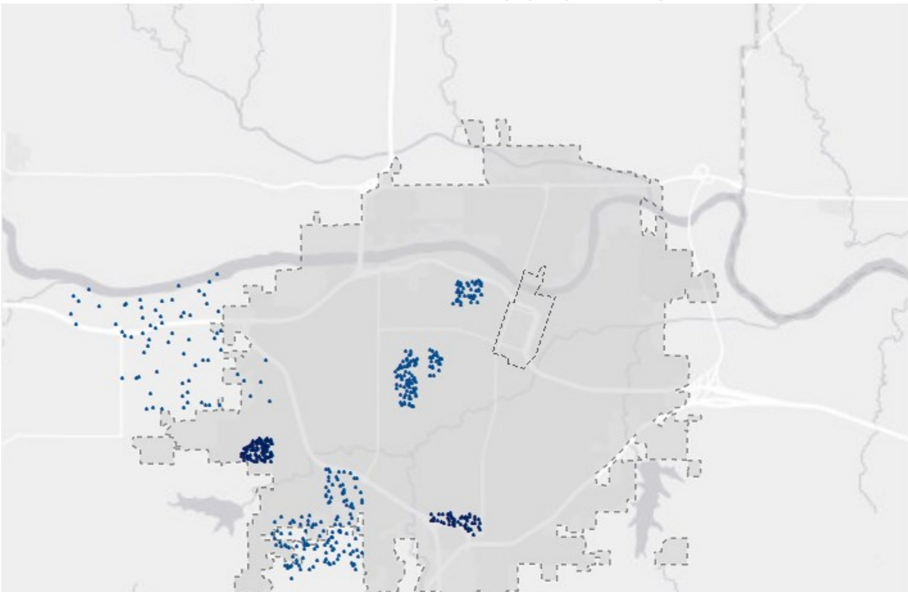
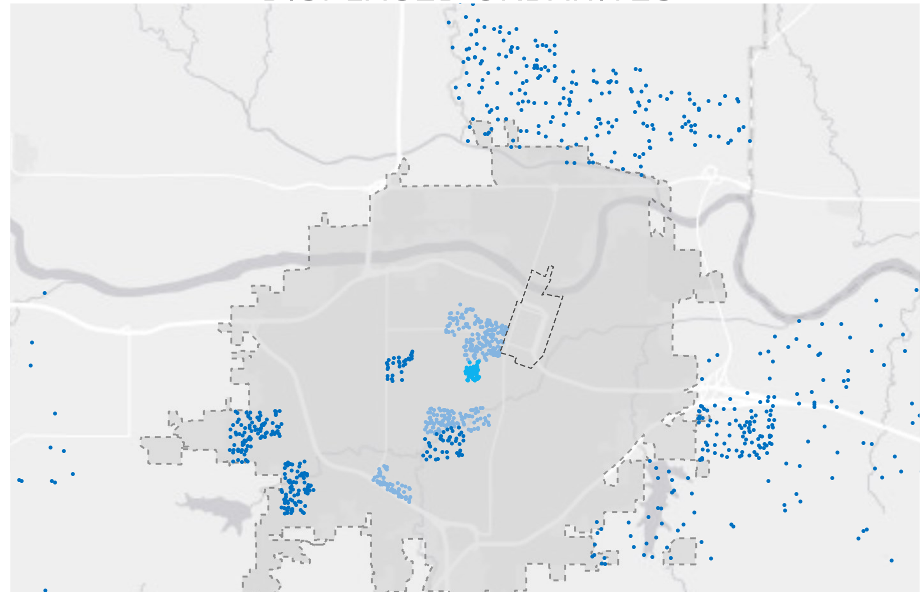
URBAN PROFESSIONALS



YOUNG & RESTLESS	IN STYLE
MEDIAN HOUSEHOLD INCOME $41,000	MEDIAN HOUSEHOLD INCOME $73,000
MEDIAN AGE 30	MEDIAN AGE 42
PERCENTAGE OF OWNERSHIP 13%	PERCENTAGE OF OWNERSHIP 68%
AVERAGE HOUSEHOLD SIZE 2.0	AVERAGE HOUSEHOLD SIZE 2.4
PREDOMINANT HH TYPE Singles/Roommates	PREDOMINANT HH TYPE Singles/Couples

DISPLACED URBANITES



SET TO IMPRESS	COMFORTABLE EMPTY NESTERS	COLLEGE TOWNS
MEDIAN HOUSEHOLD INCOME $33,000	MEDIAN HOUSEHOLD INCOME $75,000	MEDIAN HOUSEHOLD INCOME $30,000
AVERAGE AGE 34	AVERAGE AGE 48	AVERAGE AGE 25
PERCENTAGE OF OWNERSHIP 28%	PERCENTAGE OF OWNERSHIP 87%	PERCENTAGE OF OWNERSHIP 25%
AVERAGE HOUSEHOLD SIZE 2.1	AVERAGE HOUSEHOLD SIZE 2.5	AVERAGE HOUSEHOLD SIZE 2.1
PREDOMINANT HH TYPE Singles/ Roommates	PREDOMINANT HH TYPE Couples w/o Children	PREDOMINANT HH TYPE Singles, Couples

Source: ESRI 2018

DISPLACED URBANITES

The Displaced Urbanites group consists of a wide variety of households that, for reasons cultural or practical, are strong candidates for urban or—even more likely—*urbane* living, but currently live in suburban locations.

The Young and Restless group is young, transient, single, and well-educated—an ideal market for Downtown Topeka. However, given the lack of supply, this group lives in older, garden-style properties outside of the urban core to the south near Interstate 470. This group would be attracted to new rental apartments and would be willing to live in smaller units if the rent was affordable.

The In Style group is older and more likely to have children, but consists primarily of professional couples or single-person households. These households are mid-career and relatively affluent, with a median household income of more than $70,000. They currently reside in two distinct areas of Topeka: the close-in urban neighborhoods of Potwin and Greater Auburndale, and the newer single-family subdivisions to the southwest near Wanamaker Road. The In Style group would be attracted by a larger, higher-quality (and higher-priced) rental product than most Tapestry groups, as well as for-sale condo or attached townhome products.

Over 40 percent of households in the Set to Impress group are single-person. While these households have moderate incomes, they are well-educated, and generally in the early stages of their career, or finishing college or doing temporary work while seeking long-term employment. They are primarily concentrated in the College Hill/Tennessee Town area just west of Downtown, as well as Quenton Heights.

Comfortable Empty Nesters are a large and growing segment of older couples no longer living with children. Though they primarily reside in suburban areas—in Topeka they are relatively evenly distributed outside Interstate 470 to the south and Highway 24 to the north—a small number may be interested in downsizing to an urban townhome or condo.

The College Towns group includes a mix of older students and recent graduates, as well as some on-campus staff. They are clustered in apartment communities surrounding Washburn University and have relatively low incomes, though a portion of their housing costs may be offset by parents. Similar to the Young and Restless group, College Towns may be able to afford a smaller newly-constructed unit at a relatively affordable price point.

CENTRAL KANSAS CITY

13,300	99%	8,000	6,300
Downtown Population	Growth Since 2000	Total Households	Metro Renter Households

Source: ESRI 2018

Target market analysis yields theoretical demand for just over 800 housing units in Downtown Topeka, split between upscale rentals, and a small number of for-sale townhomes and condominium units.

By applying a mathematical model to ESRI Tapestry™ data on market segmentation, demand analysis of target market households indicated demand from approximately 820 households for housing in the study area. Because the majority of demand is derived from the Young and Restless and In Style groups, support is generally stronger for rental products than for-sale options. However, supplementary demand for townhomes and condominiums will be driven by retirees looking to downsize and mid-career professionals who prefer urban environments to suburban single-family homes.

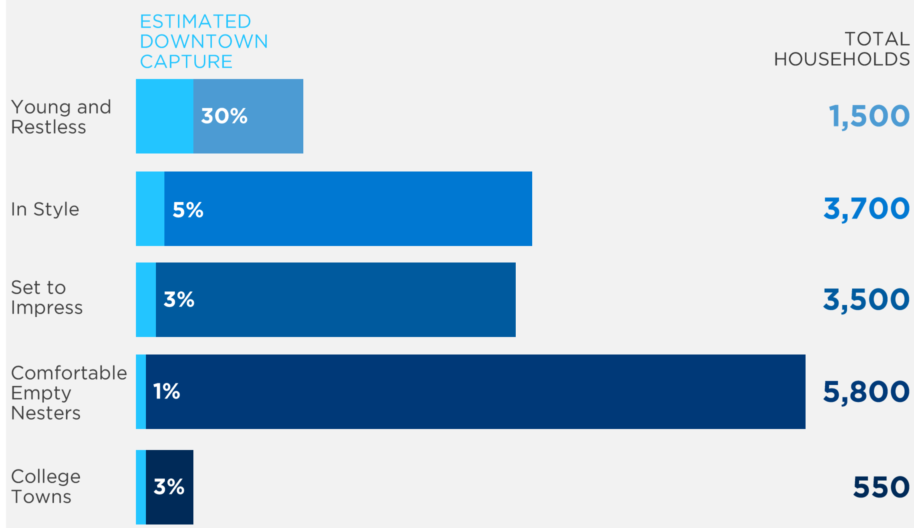
TARGET MARKET SEGMENT METHODOLOGY—IMPLIED PRODUCT PRICING

Estimated Market Demand

Tapestry Group/ Segment	Implied Owner Households	Implied Average Price	Implied Renter Households	Implied Average Rent
Displaced Urbanites				
Young and Restless	200	$180,000	1,300	$1,200
In Style	2,500	$280,000	1,200	$1,850
Set to Impress	1,000	$150,000	2,600	$950
Comfortable Empty Nesters	5,000	$240,000	750	$1,500
College Towns	140	$125,000	400	$875

Sources: ESRI; Development Strategies 2018

MARKET SEGMENTATION—CAPTURE



Sources: ESRI; Development Strategies 2018

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CONVENTIONAL ANALYSIS

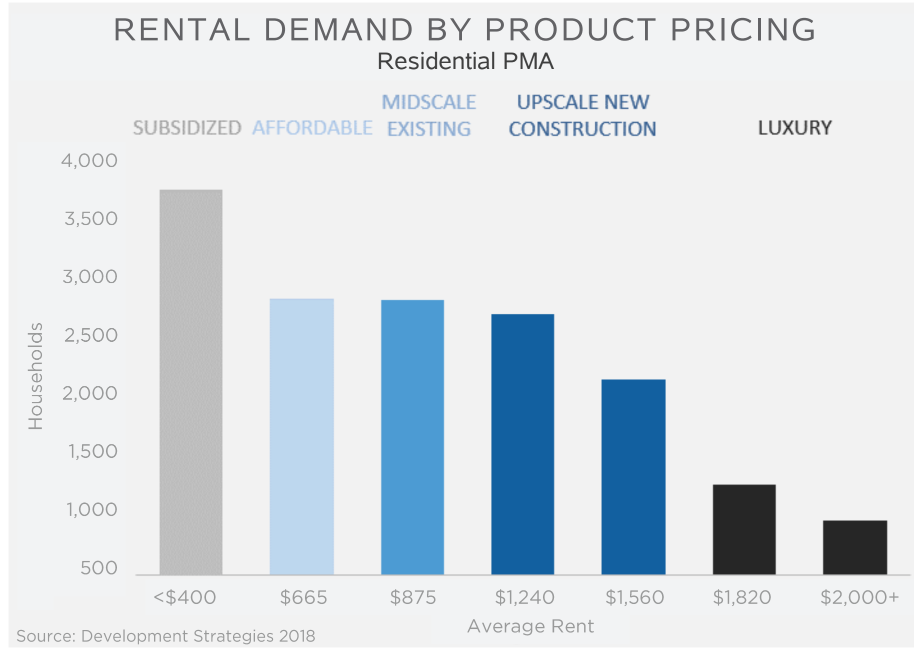
Conventional market analysis shows homes priced at $250,000 to $350,000 have significant support, as do apartments with monthly rents ranging from roughly $875 to $1,250

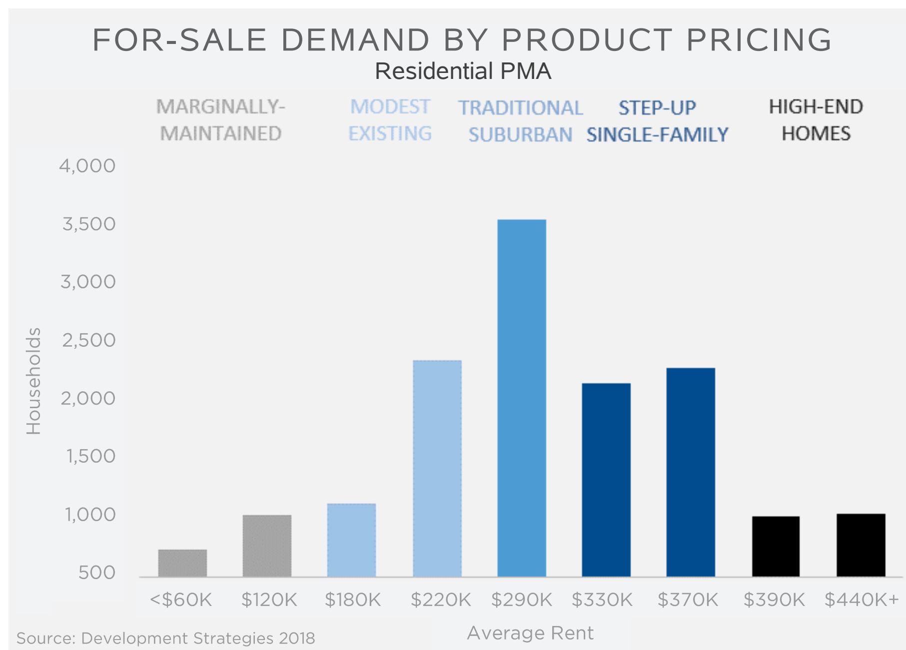
Conventional market demand analysis utilizes household income data to determine for-sale and rental housing price points that will be in highest demand in the primary and secondary market areas. While target market analysis provides a nuanced look at how consumer preferences in the market align with specific housing products, conventional analysis offers an additional level of understanding of local market conditions and depth of demand. The conventional analysis of the Topeka market areas is illustrated in the graphs to the right.

The greatest support in the market for for-sale products is at a price point around $275,000, which is generally consistent with recent housing sales in the market areas. There is also significant support—about 3,000 households—for homes priced from $300,000 to $350,000, which would represent an upscale newly-constructed condo unit or townhome in this market. The demand for housing products priced $400,000 and higher is modest, including about 1,400 households, or just over ten percent of all homeowners in the market area.

A similar analysis was conducted for rental housing. Renters tend to be lower income overall and about 25 percent of all renter households cannot afford a monthly rate above $500. Given the average rents and occupancies of units in the market areas, the large majority of the existing supply is targeted towards to the middle of the market, where a deep renter pool of more than 5,000 households falls in the affordability range of about $875 to $1,250 per month. The potential luxury rental market is more modest, with only about 2,500 households able to afford rents of $1,500 or more.

While a relatively higher proportion of households in the market areas could be captured by housing in Downtown —as much as 20 percent—even a modest capture rate of five percent indicates potential support for 300 to 400 upscale apartment units and approximately 200 townhomes or condos.





IN-MIGRATION

Our research indicates that one-third of Downtown residents in various cities recently relocated from outside of the MSA. This is a key segment of demand for Downtown housing.

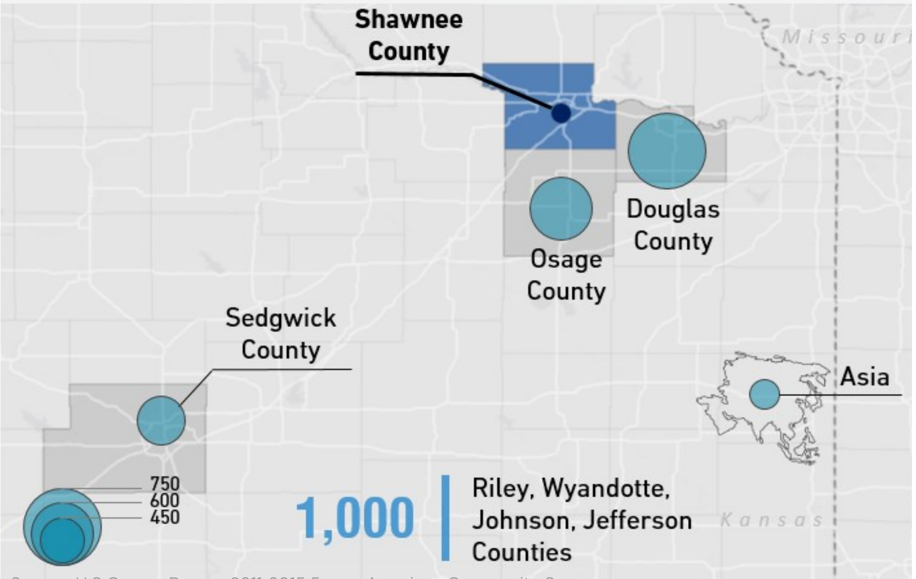
Data from the 2015 American Community Survey data indicates that Shawnee County had a net positive migration of around 900 people. In general, while the region is gaining more people from rural counties than losing, the region is losing more people to other urban counties than gaining. Of all people that moved to Shawnee County, around 52 percent of them came from other parts of Kansas.

The outflow of people from Shawnee county is predominantly to other counties of Kansas with stronger urban centers such as Douglas, Wyandotte and Johnson counties. This trend is reflected in the flow of 25 to 34-year-old people as well. Although Topeka is successful in attracting young people from rural areas in line with national trends, much of this cohort is moving to other, more successful urban centers within Kansas. Studies suggest that people moving into a new city, particularly those coming from another urban county, are more inclined to live in a downtown environment than the typical resident. Investments within Downtown Topeka presents an opportunity to likely reverse this trend and retain talent within the region.

A cursory review suggests that more than 5,000 people moved to Shawnee County from other urban counties; the most were from Douglas and Sedgwick counties. Though many of these new residents would not prefer urban living, a portion of these residents would likely prefer Downtown Topeka if the right housing products were available when they move to the region. Downtown holds the potential to serve as the gateway to the region, providing a competitive alternative to Downtown Lawrence and other urban centers within Kansas. Assuming migrants have similar household sizes as the county average of 2.4 and a capture of ten percent, there would be demand to support approximately 150 to 200 housing units.

TOTAL NET MIGRATION FLOWS

for Shawnee County, Kansas, 2015



Source: U.S Census Bureau 2011-2015 5-year American Community Survey

Source: 2011-2015 American Community Survey County-to-County Migration Flows

AFFORDABLE HOUSING

Demand for quality, affordable housing typically exceeds supply by a large margin. The first step in quantifying demand is to determine how many households fall on the affordability spectrum. Policies can then be crafted to target groups with varying levels of need.

Compared to demand for market rate housing, which must target specific demographics who are looking for an urban lifestyle and are willing to pay more for less space to locate in those environments, demand analysis for affordable housing is less complex, as the need for quality affordable housing typically exceeds supply by a large margin. If a quality product is offered at below-market rents, substantial demand is likely to exist. Therefore, affordable demand analysis relies quantifying the number of eligible and qualified residents in the market areas based on income, household size, and tenure.

To determine market demand, the number of households earning up to 60 percent of area median income (AMI) was calculated—a typical guideline for households living in properties developed with Low-Income Housing Tax Credits (LIHTC). Rental rates in this type of affordable housing are capped by HUD and are typically below market rates. Potential rents for this analysis were based on HUD guidelines for Shawnee County, and range from $770 per month for a one-bedroom units to $1,070 per month for a three-bedroom unit. The income limits for households eligible to live in these units, based on household size, include households earning up to $28,860 for a household of one, $32,940 for a households of two, $37,080 for households of three, and $41,160 for a household of four.

About 24 percent of households in the PMA earn between 30 percent and 60 percent of AMI for a family of four and would therefore qualify for affordable housing, while an additional 20 percent of households earn below 30 percent of AMI and would require subsidized housing, with rent support provided through Section 8 vouchers or similar programs.

AFFORDABLE HOUSING SUMMARY

1,100 Affordable units in and around the Study Area

57% Units 30 years or older

14,000 Qualified low- and moderate-income households

EXISTING AFFORDABLE SUPPLY & POTENTIAL DEMAND

Sources: ESRI 2019; HUD LIHTC Database; Topeka Housing Authority (left and right)

The spectrum of affordable housing development can address the needs of a broad group of households types including singles, families, and seniors across a number of income levels ranging from working families to those requiring deeper subsidy.

Based on maximum allowable income levels and minimum income requirement based on achievable rents, our analysis highlights potential support from about 3,700 households in Topeka that would qualify to live at a LIHTC affordable property after accounting for household size and housing tenure.

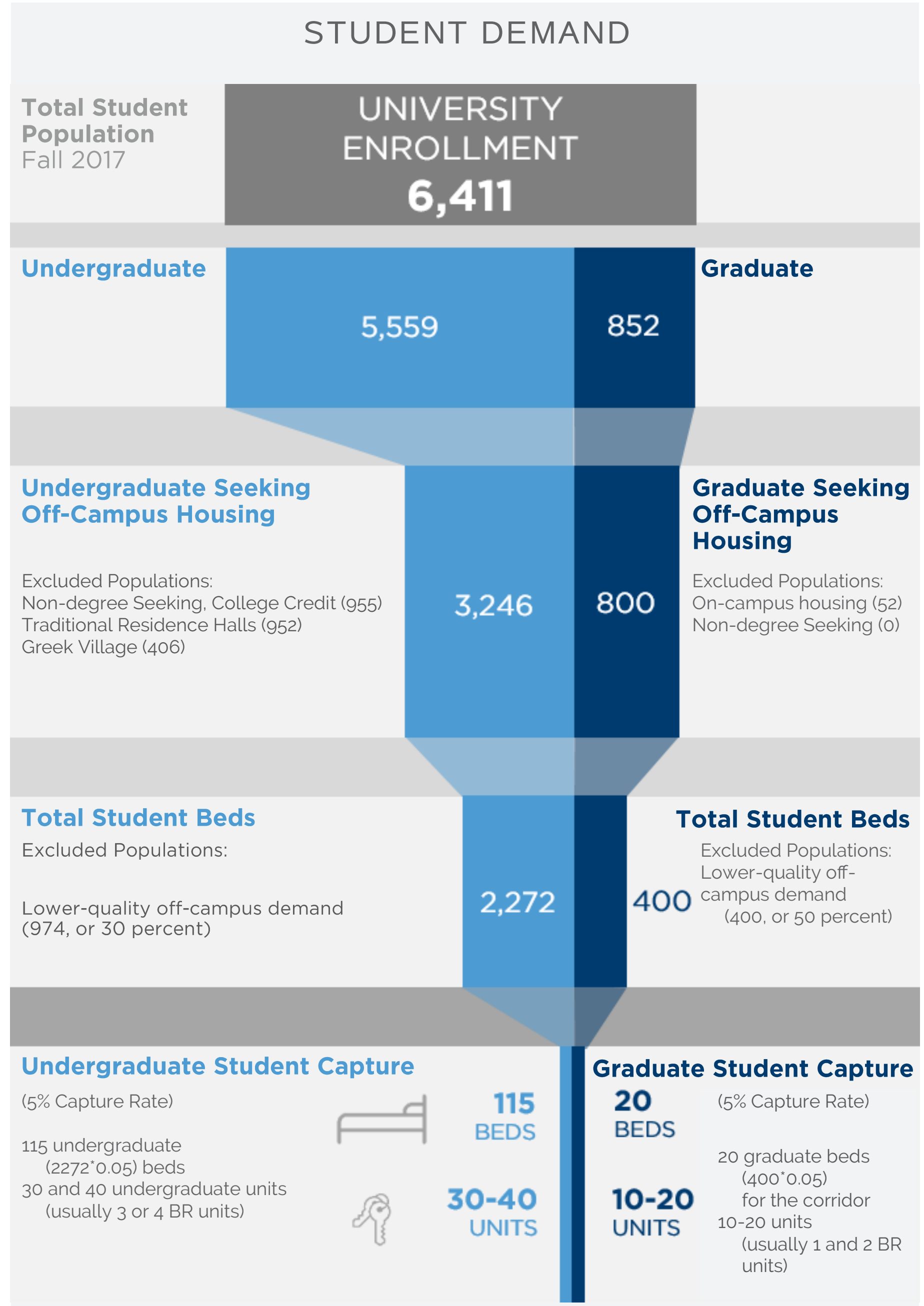
There is also a very deep supplemental demand pool of about 10,000 low-income households that cannot afford LIHTC rents and would require additional rental subsidies. Many of these households currently living in Section 8 or public housing properties or utilize Section 8 vouchers, while a general lack of affordable housing supply forces many into substandard housing options.

Though a considerable amount of subsidized housing is currently location in and around Downtown Topeka, this supply may never fully meet demand. There will be a continual need to provide deeply subsidized housing in some capacity in the study area and throughout the region.

STUDENT HOUSING

Demand is insufficient to support new products targeted towards students in the market.

The current supply of off-campus housing meets the demand of students at Washburn University, indicating a market equilibrium. The university has been active in recent years in adding on-campus capacity and local developers have met remaining demand through recently added upscale units, and older affordable, midscale properties further from Downtown. The demand for off-campus student housing is minimal – around 30 to 40 units for undergraduates and 10-20 units for graduate students, and is insufficient to support new products targeted towards students in the market.



Sources: Washburn University; National Center for Education Statistics

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PEER CITIES

Downtown Topeka captured a competitive share of new unit construction since 2000; however, this is because of the slow pace of regional growth.

Downtowns in a range of peer and aspirational cities, including capitol cities like Springfield, Illinois, Lincoln, Nebraska, and Jefferson City, Missouri; and, larger cities like Chattanooga, Tennessee and Des Moines, Iowa, showed a wide range in terms of how much of new housing unit construction was captured in their downtowns.

Some cities, like Jefferson City and Springfield, experienced a reduction in housing units downtown while modest regional growth occurred. Others, like Des Moines and Chattanooga, captured 1.7 to 2.0 percent of regional housing unit construction.

Downtown Topeka actually captured 1.6 percent of regional housing unit construction; however, the number of units (140) significantly lagged faster-growing markets like Lincoln, Des Moines, and Chattanooga (450, 1,300, and 900 units, respectively). Wichita, which has similar growth patterns as Topeka, gained 700 new Downtown Units.

A strong downtown with diverse housing options can help fuel regional growth. Given the relative size of these Markets, Topeka would not likely keep pace with Des Moines and Chattanooga, but this analysis suggests a target of 450 to 700 units is reasonable over the next 10 years.

RECONCILIATION OF METHODS

A number of different methods were used to determine the amount, type, and pricing of future market rate housing demand for the study area. Ultimately, a total of up to 550 to 600 apartments and 300 for-sale condos and townhomes are deemed supportable over the next 10 years.

Based on the demand analyses described above, a mix of residential products in the study area would be successful and could fit the needs of a variety of demographic groups in the metro area. Using reasonable capture rates for the existing market as well as additional demand from in-migration, there is likely support for up to 300 for-sale housing products over the next ten years, split between attached townhomes and condominiums. Additionally, there is support for approximately 550 to 600 upscale rental apartments. Market conditions suggest that these products would be absorbed over approximately ten years.

Source: Development Strategies 2019

TARGET MARKET

- Because much of the demand for downtown residential development is driven by young professionals, there is greater support for rental units than for-sale options. Supplementary demand will be derived from downsizing retirees and mid-career professionals.
- Young professionals currently reside in older midscale apartment communities outside Downtown, while the In Style and Comfortable Empty Nesters groups are concentrated close-in urban neighborhoods to the west and new single-family construction southwest of the interstate.
- Target market analysis yields potential support for about 540 rental units and 270 for-sale units in the study area.

CONVENTIONAL

- About 5,000 renter households fall in the middle-to-upper range of the affordability distribution, which translates to monthly rates of about $875 to $1,250. Though market support diminishes fairly quickly at price points above $1,500, very little of the existing rental supply targets these households.
- The greatest support in the market for for-sale products is at a price point around $275,000; however, there is also significant support of about 3,000 households for homes priced from $300,000 to $350,000.
- Applying reasonable capture rates for downtown indicates market support for up to 450 upscale rental units and 250 townhomes and condominiums.

IN-MIGRATION

- New residents to Shawnee County from other urban counties could support up to 200 new housing units in Downtown.
- Shawnee county is gaining more people from rural counties than losing, but, losing more people to other urban counties than gaining.
- If Downtown Topeka could provide competitive housing products and amenities, it could provide a competitive alternative to Downtown Lawrence and other urban centers within Kansas.

AFFORDABLE HOUSING

- Approximately 14,000 households in Topeka are income-eligible for affordable housing, far outpacing the existing supply of about 5,400 units. In order to sufficiently serve the housing needs of very low-income residents, some additional combination of subsidies/incentives will be needed.

STUDENT HOUSING

- University has been active in recent years to add on-campus housing.
- Remaining demand is met by recently added upscale units, as well as older, more affordable properties further from Downtown.
- While there is marginal demand for off-campus housing – at around 30 to40 units for undergraduates and 10 to 20 units for graduate students – the demand is insufficient to support new products targeted towards students in the market.

PEER CITIES

- Based on development patterns in peer cities and regions, Downtown Topeka should capture 1.6 percent to 2.0 percent of net housing growth in the MSA, if not more given the relative lack of new development over the past several years.
- Topeka is not likely to keep pace with Chattanooga and Des Moines, should be able to leverage recent momentum for a target of 450 to 700 units over the next 10 years.

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OFFICE MARKET: SUPPLY

Downtown Topeka is the office hub for the region and is home to several of the region's major employers, such as the State of Kansas, federal government agencies, BNSF Railroad, Westar, Capitol Federal Credit Union, and the City of Topeka.

Downtown Topeka contains approximately 7.1 million square feet of office space, or nearly 60 percent of the total office supply in the Topeka MSA. Nearly 23,000 jobs are located in Downtown and NOTO, making it a job center and hub of economic activity that supports the city and its residents. The Downtown vacancy rate of 6.2 percent indicates a stable market.

Five office districts, shown on the map to the right, were identified to analyze the competitive market in Topeka.

Downtown contains both historic and more modern space. State offices occupy a considerable amount of space—both state-owned and privately owned. Other major office users Downtown include the U.S. Coast Guard and other federal agencies, Westar, BNSF Railroad, and several banks. The average lease rate Downtown of more than $16 per square foot is near the high end of the competitive districts.

The Hospital District is located west of Downtown and is anchored by Stormont Vail Hospital and the University of Kansas Health System. These major facilities are supported by complementary medical office space that is leasing at an average of $11 per square foot with full occupancy.

West Topeka is the home of the suburban corporate campuses of Security Benefit and the Federal Home Loan Bank of Topeka and has the highest overall lease rates in the city.

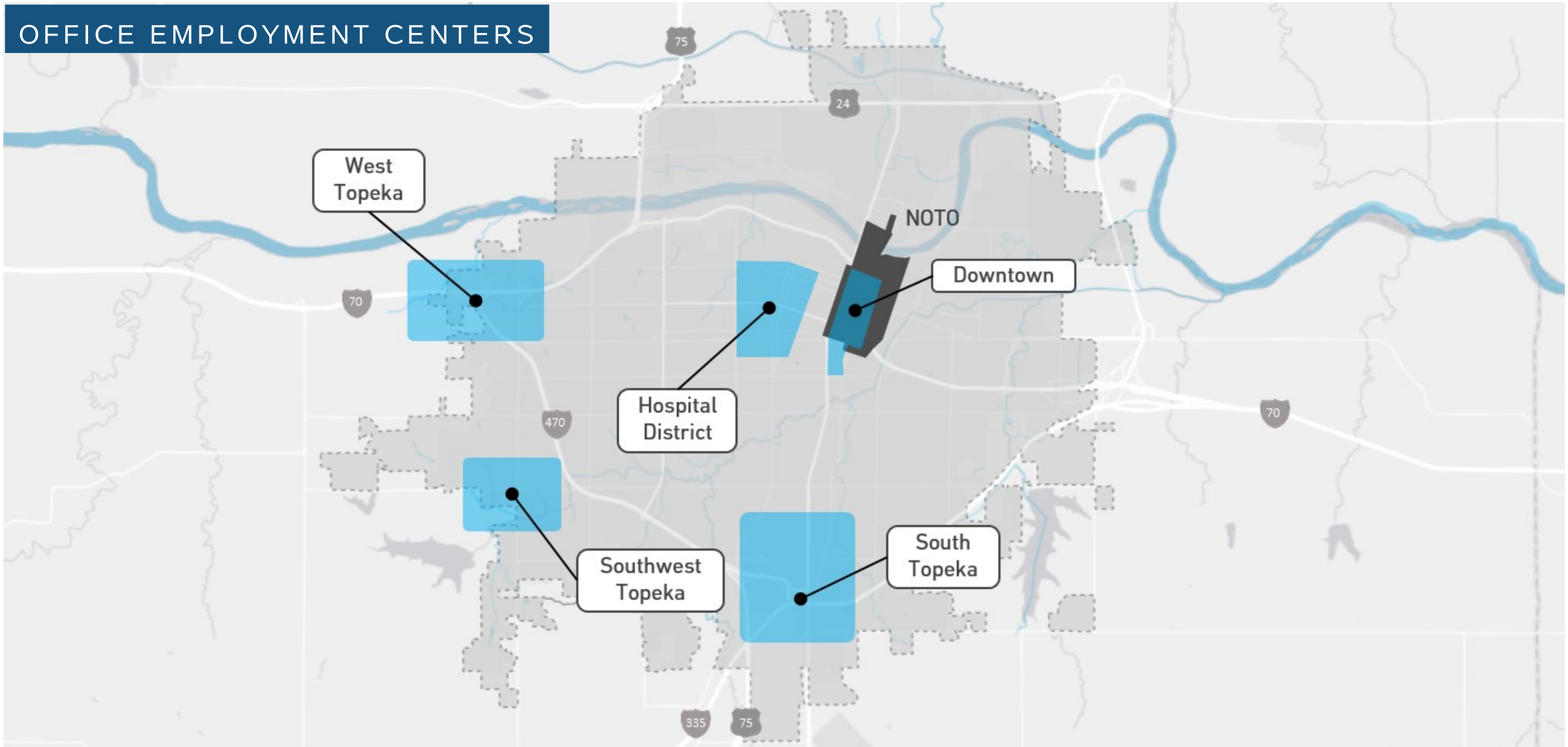
Southwest Topeka is typified by suburban style 1 to 3 story professional offices that are generally of newer construction, with lease rates comparable to Downtown.

South Topeka is home to an older stock of suburban-style office spaces, and has lower lease and occupancy rates than most of the other office districts.


Security Benefit Group of Companies


Security Benefit Group of Companies

OFFICE EMPLOYMENT CENTERS



	Downtown	West Topeka	Southwest Topeka	Hospital District	South Topeka
LEASE RATE	$16	$19	$17	$11	$11
OCCUPANCY	94%	93%	90%	100%	90%
SQUARE FOOTAGE	6,077,000	629,000	470,000	899,000	693,000

Source: CoStar 2019

OFFICE MARKET: DEMAND

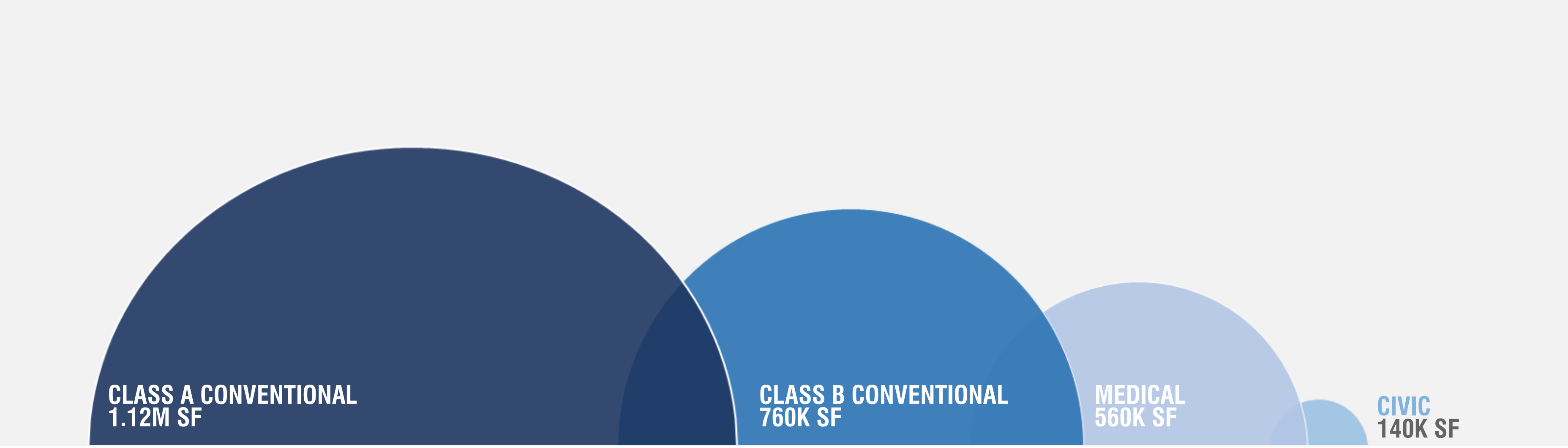
Regional employment projections that there will be opportunity for a variety of office space that Downtown Topeka could capture, including high-quality Class A space for professional, tech, and financial firms; creative office space for start-ups, and more modest Class B space for back-office operations.

Demand for office space is driven by jobs. An increase in the number of jobs in sectors like finance and insurance, technology, and professional services will trigger the need for additional office space, but the quantity and quality of space needed varies based on industry. Employment projections from Kansas Labor Information Center forecast growth of about 45,000 jobs in the 17-county Northeast Kansas Region over the 10-year period from 2016 to 2026.

Job projections are converted into office square footage demand by estimating the square footage needs per employee and the percentage of jobs in a given occupational sector that require office space. For instance, a service technician would not typically have dedicated office space, whereas an engineer would. The U.S. Government's General Services Administration maintains a handbook with guidelines of space needs per office worker.

Based on the job projections, there will be demand for approximately 2.6 million square feet of new or rehabbed office space in Northeast Kansas region, with 43 percent expected to be high-quality class A space, 29 percent class B space, 22 percent medical office space and a small amount of civic space. A reasonable capture rate must be applied to these estimates to determine office market potential for Downtown Topeka.

PROJECTED TEN-YEAR OFFICE DEMAND BY PRODUCT CATEGORY
Northeast Kansas Region



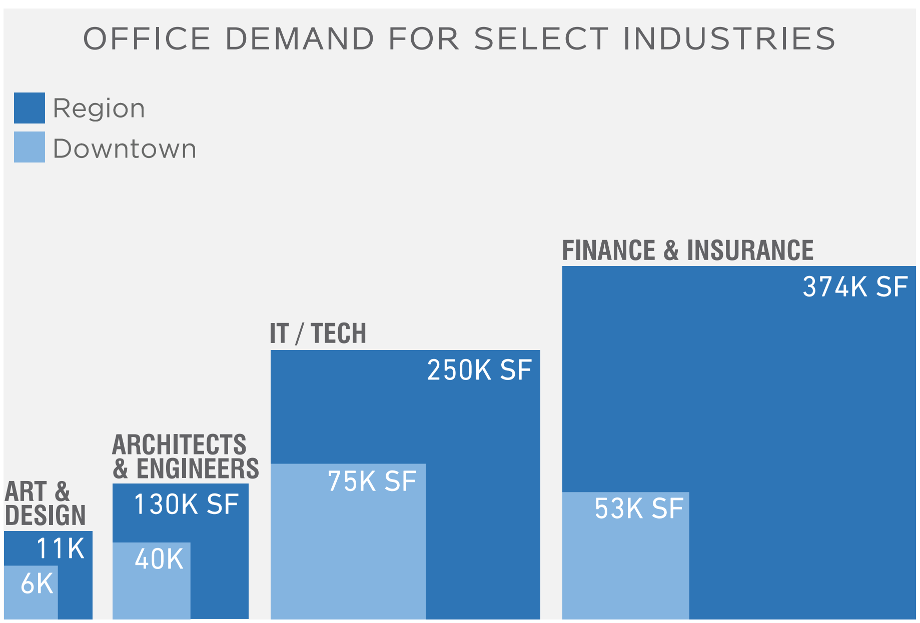
Sources: Kansas Labor Information Center; Development Strategies 2018

KEY INDUSTRIES

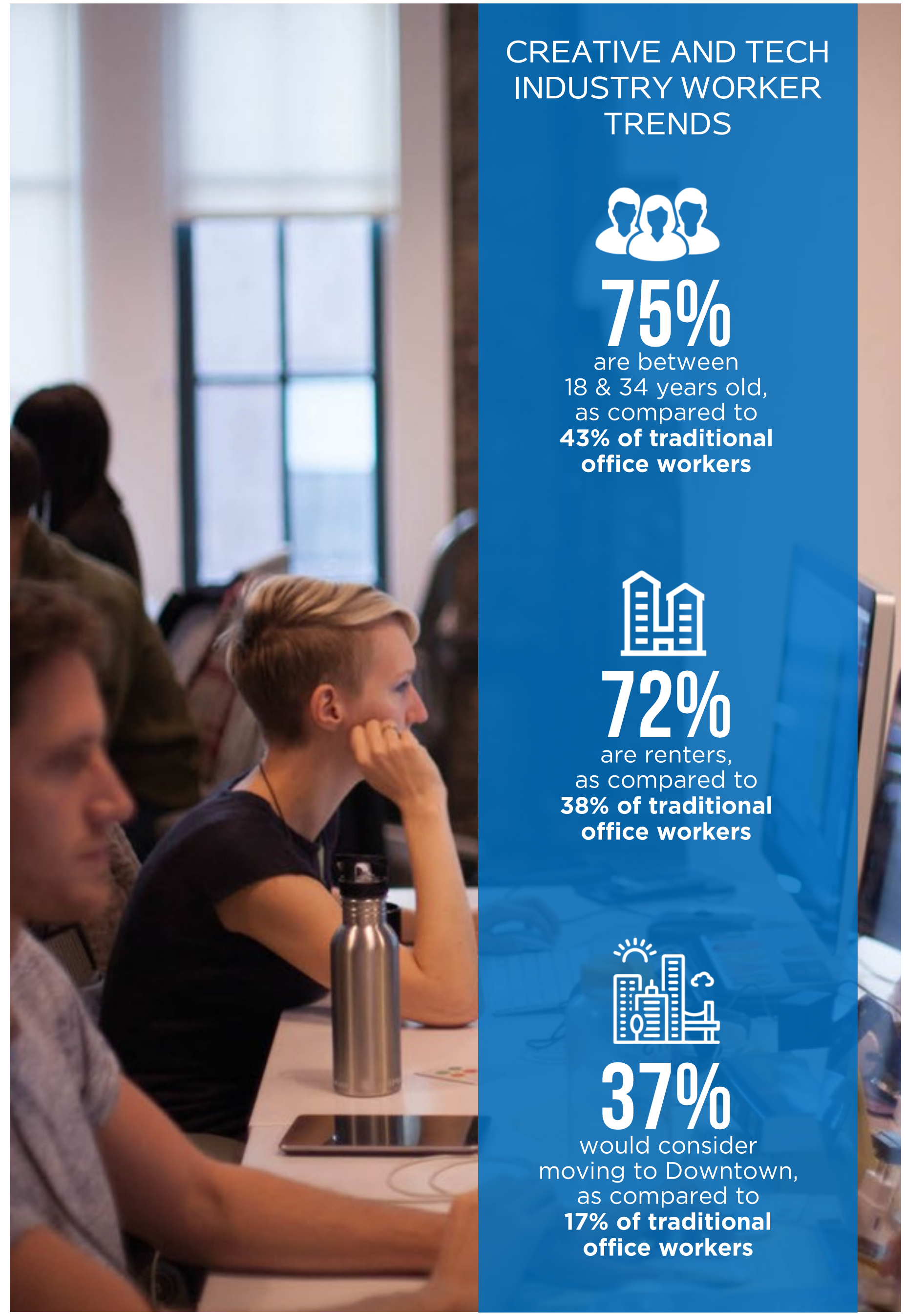
Primary targets for Downtown office growth are the finance/ insurance and IT/tech industries.

A key national trend is that of companies moving or expanding Downtown because of the importance of place for talent recruitment, company image, and broad collaboration. The Downtown Topeka office market is currently strong, but has opportunity to improve as the district becomes gains more amenities. Sectors like finance/insurance and technology show a preference for downtown locations and employment in these sectors is projected to increase in Topeka's region. Therefore, these sectors should be recruited, along with architects and engineers, and other professional sectors, to establish or grow a presence in Downtown Topeka.

An explanation of why downtowns attract creative and technology workers is included to the right. These employees are younger, much more likely to be renters, and a high percentage would consider moving to a downtown environment. Not only will these workers bring additional spending power and vitality to the downtown, they are also prime targets for residential products that will be built and rehabbed downtown.



Source: Development Strategies 2019



Source: Development Strategies

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OFFICE CAPTURE

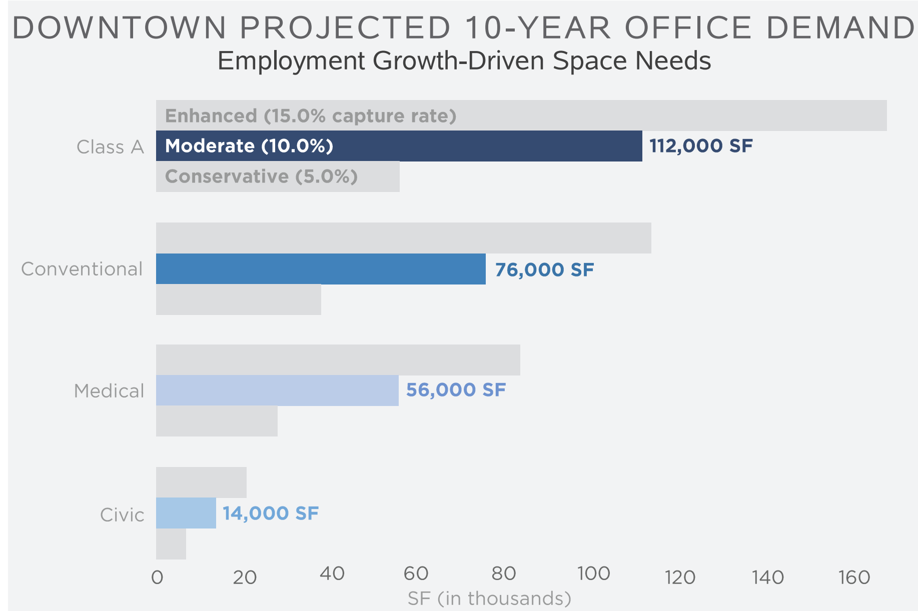
As Downtown Topeka gains amenities and services, and connections are improved, the environment will be created to capture a significant share of regional office growth.

Determining future demand for office development involves evaluating a complex set of variables. This includes the desirability of the location, availability (and price) of land, existing industry clusters, and potential changes in consumer preferences and industry growth.

A somewhat simpler method involves looking to: 1.) past office performance: what regional share of office growth did downtown capture over the past decade; and 2.) future job growth: how many jobs are office related industries projected to add over the next decade?

Over the next 10 years, the Northeast Kansas Region is expected to add 2.6 million square feet of office space. Using data provided by CoStar, it was determined that Shawnee County captured approximately 30 percent of the Northeast Kansas regional office growth over the past decade and most of this growth was captured in suburban locations. If Shawnee County captured 30 percent of the projected Northeast Kansas regional growth, that would amount to 780,000 square feet of office space. Downtown can position itself to capture a larger share of this growth, building upon its current strength as a job center. Given increases in consumer preferences toward urban places to live and work, Downtown has an opportunity to position itself in such a way as to exceed its past performance. This will be particularly true if investments are made in entrepreneurship and placemaking, and institutions collaborate with targeted investments.

Based on historical trends, 'conservative', 'moderate' and 'enhanced' capture rates of five percent, ten percent, and 15 percent were applied respectively to the regional growth projection of 2.6 million square feet to estimate reasonable demand potential for Downtown Topeka. This would amount to demand approximately 250,000 to 350,000 square feet of new office space Downtown over the next ten years. A similar approach was used to project Downtown office demand by product as shown in graphic.



Sources: Kansas Labor Information Center; Development Strategies 2018

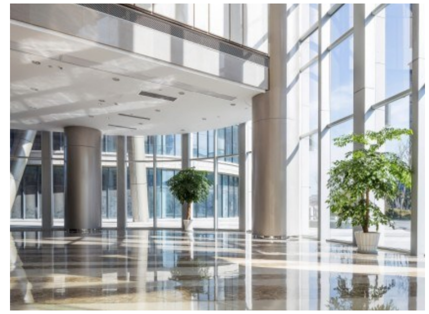
Source: Development Strategies 2019

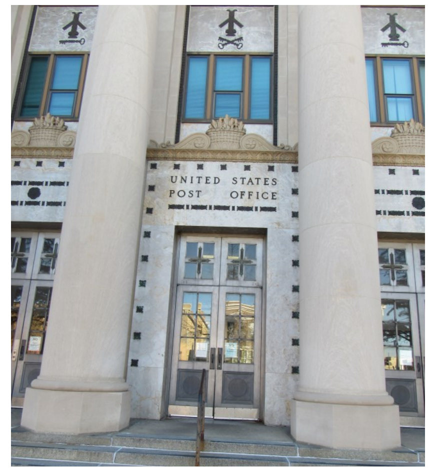
IDEAL NEW OFFICE LOCATIONS

Historic buildings like the former Post Office provide opportunities for renovation and conversion to new uses and a single large site like the police and sheriff site could be leveraged for new construction of a corporate campus.

Projected office demand can be accommodated in two primary locations: improving and/or renovating existing buildings or building new on a suitable site. The quality of the historic building stock lends itself to reuse and unique spaces could be particularly appealing to creative and start-up companies. The Post Office property is a prime target for this type of redevelopment, and office would be one of a mix of uses that could occupy that building. Smaller buildings along Kansas Avenue and elsewhere in the district are also suitable for office uses. These changes will not only improve the aesthetics of downtown, but also add more workers, who may become downtown residents as well.

If a major company in the Topeka region is looking for new office space or wants to relocate to the region, Downtown will be a very viable option as conditions improve. There are several locations that could be appropriate for new office construction—the current police and sheriff site could be particularly catalytic if a new law enforcement center is built in a different location. This site encompasses nearly an entire block, is city-owned, and would provide the opportunity to reintroduce urban form on a block that could bridge the gap between the Kansas Avenue District and Innovation District. Large surface parking lots along Kansas Avenue and Van Buren (closer to the capitol building) are also good candidates for new office construction.





HOTEL SUPPLY

The Cyrus Hotel added much-needed new quality hotel rooms to the Downtown market; however, Downtown still has far fewer hotel rooms than other cities, particularly given its high concentration of regional jobs.

Approximately 15 percent of all hotel rooms in Shawnee County are located in Downtown Topeka, or 373 out of the county's 2,551 rooms. Until Cyrus Hotel, which has 109 rooms, was built, no new hotel rooms were added to the Downtown market for decades. Most new construction, particularly of hotels that cater to business travelers, occurred on the outskirts of Topeka near I-470 interchanges.

Other hotels located Downtown include Ramada Hotel and Convention Center, and Senate Luxury Suites. In terms of quality, Cyrus Hotel is far superior to the other properties, which have not been renovated for many years. The addition of the Cyrus Hotel in the heart of Downtown should support business travelers, bring more people to the area, and is an important part a larger economic development strategy.

Sources: GoTopeka; Hotels.com; Development Strategies

HOTEL DEMAND

Downtown hotel demand is driven by a number of factors: business travelers, convention attendees, leisure travelers, and other. Major employers Downtown serve as the anchor and primary driver.

According to GoTopeka!, the region attracts nearly 960,000 visitors per year that generate 500,000 room nights in hotel demand. These numbers include business travelers; leisure travelers visiting civic, cultural, and entertainment attractions; and convention attendees. Downtown and surrounding neighborhoods are home to a number of major employers that create demand for hotel room nights because they support business travel. These include state and federal agencies, financial institutions, utilities, and Stormont-Vail Medical Center. A segment of these visitors seeks out downtown hotels because of the walkable environment and amenities frequently located in downtown districts. Adding amenities like the plaza and supporting businesses like Norsemen Brewing Company, Bradley's Corner Café, and the many retail and arts-oriented businesses in NOTO; and the Iron Rail, the Pennant, Lupitas, and retailers and restaurants along Kansas Avenue, will make Downtown more inviting for visitors and support demand for Downtown hotels.

Sources: Development Strategies; BLS; BEA; Topeka Chamber of Commerce

HOTEL CAPTURE

Based on the performance of other cities, Downtown Topeka currently captures less than its share of regional hotels, indicating that there is potential for more hotel development as Downtown amenities improve.

Downtown Topeka currently has 15 percent of all hotel rooms in the region—a percent share less than each of the listed in the graphic below. Wichita and Lawrence also have relatively low share; however, the aspirational and peer cities have Downtowns with 24 to 36 percent of regional hotel rooms. As stated previously, Downtown Topeka has a high proportion of regional jobs, which should make it an anchor for business travelers—Downtown should be able to capture a higher percentage of regional hotel rooms.

DOWNTOWN SHARE OF REGIONAL HOTEL ROOMS

Chattanooga, TN	36%
Jefferson City, MO	32%
Manhattan, KS	32%
Springfield, IL	28%
Des Moines, IA	25%
Lincoln, NE	24%
Wichita, KS	16%
Lawrence, KS	16%
Topeka, KS	15%

Sources: Hotels.com (November 2018); Development Strategies

HOTEL CONCLUSIONS

If Downtown Topeka were to increase its share of regional hotel rooms to 20 percent, this would result in 150 to 250 additional rooms in the district. This is a reasonable target given the performance of most of the peer and aspirational cities.

Source: Development Strategies

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RETAIL SUPPLY

Downtown Topeka contains a diverse mix of retailers, including a number of local shops and restaurants concentrated along Kansas Avenue and in NOTO.

There is no single, definitive source to determine the amount of retail square footage and vacancy in the downtown Topeka study area and it is highly recommended that a detailed survey be conducted by Downtown Topeka, Inc. and its partners so that current statistics are available and potential opportunities can be identified. However, a reasonable estimate of 850,000 square feet was made by adjusting and combining available resources.

Most new retail construction has occurred on the edges of the community, but several renovated properties along Kansas Avenue have added to the vitality of the downtown core and NOTO Arts District. The asking rent for these renovated 1st floor commercial spaces ranges from about $12 to $18 per square foot, although a windshield survey suggests that overall vacancy in the study area is rather high, estimated to be 20 to 30 percent. Tenants include unique, locally-owned businesses such as The Pennant, Iron Rail Brewing, and Norsemen Brewing Company. The study area is one of the few locations in Topeka where a historic, mixed-use, pedestrian-friendly district exists, an amenity that should be leveraged to support tourism, economic development, and talent recruitment and retention.

Most of the major retail centers are around the edge of the community, near the interstate. The largest concentration of retail space is around West Ridge Mall on Wanamaker Road. The mall contains more than 1 million square feet of leasable space and is anchored by JC Penny and Dillard's. The mall is surrounded by a large selection of regional anchors, including Target and Bed Bath and Beyond.

WEST RIDGE MALL

Source: Nathan Drummond

SUBURBAN RETAIL

Built 1988

1,013,000 SF

Average Rent

$17.50/SF

709-713 KANSAS AVE

HISTORIC REHAB

Rehabbed 2015

14,000 SF

Average Rent

$10-$12/SF

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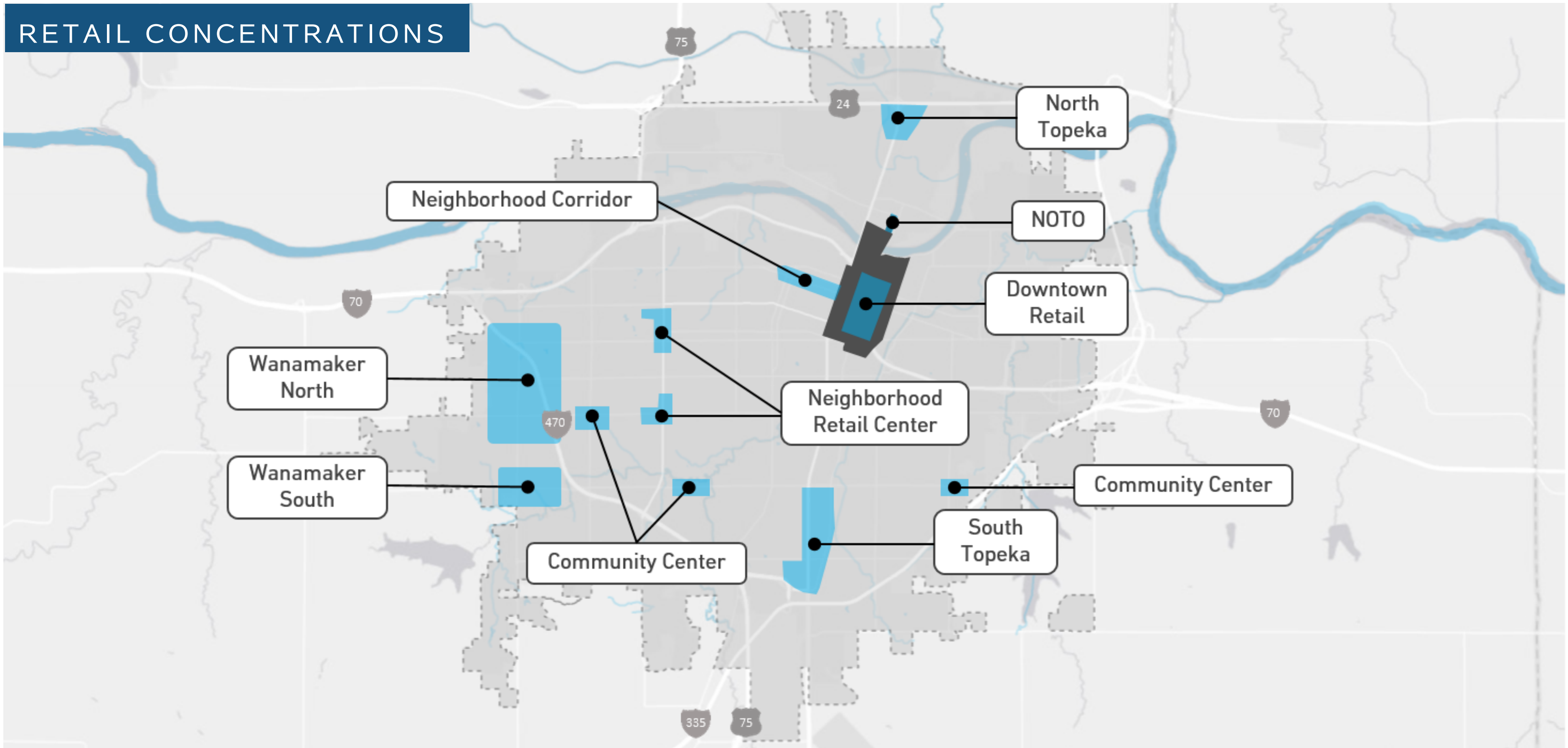
RETAIL CONCENTRATIONS



	Downtown	Wanamaker North	South Topeka
AVERAGE LEASE RATE	$11	$15	$8
OCCUPANCY RATE	96%	96%	72%
SQUARE FOOTAGE	850,000	3,750,000	1,785,000

Source: CoStar

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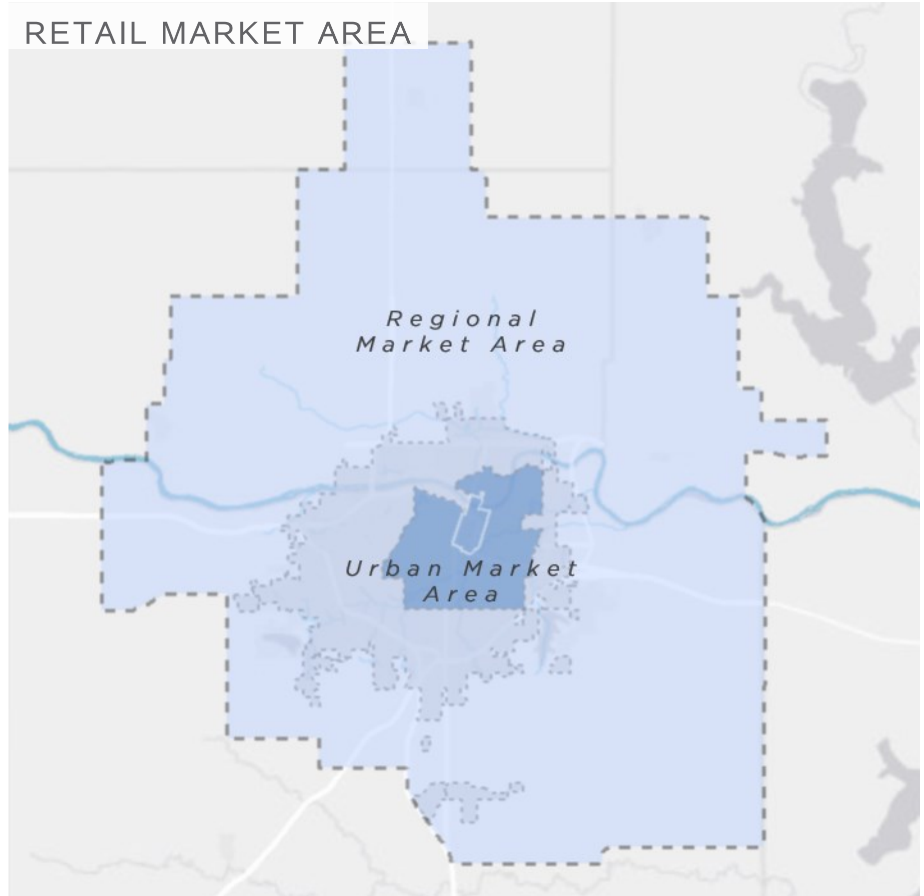
RETAIL DEMAND: RESIDENTIAL SUPPORT

Customers for downtown retail will come from two market areas. The Urban Market Area (UMA) represents the majority of the residential support because of its proximity to Downtown. The UMA is approximately 16 square miles and is home to more than 51,900 people with a median household income of $36,700. The median household income is relatively low compared to the MSA, but the density of the area and pockets of high-income households creates significant income density and buying power. Additional demand will come from the larger Regional Market Area because the study area will offer unique restaurants, shops, and experiences that cannot be found elsewhere in Topeka. Customers are willing to travel farther distances to reach these types of destinations.



	UMA	RMA
SIZE (SQUARE MILES)	16	2,300
POPULATION	51,900	175,300
MEDIAN HOUSEHOLD INCOME	$36,700	$52,400
GAP/SURPLUS	61K Gap	356K Gap

Sources: ESRI 2018; Development Strategies 2019

RETAIL DEMAND: RESIDENTIAL SUPPORT

Demand gap analysis makes a direct comparison between retail sales and consumer spending by industry and measures the gap between supply and demand. This analysis helps target types of retail that are undersupplied in a market area. Some of these opportunities may be in sectors that are not currently growing their brick and mortar presence (often due to the increasing prevalence of online shopping) and some of these opportunities are typically supplied in big-box store formats that are unlikely to relocate to Downtown Topeka. Even so, the products provided by these types of stores can often be supplied in smaller formats that would meet resident’s needs. For example, a store such as Dollar General could be used to help fill the gap in supply for general merchandise stores in the UMA. Retail gaps were also identified in home furnishings, apparel, restaurants & bars, and grocery stores. In a downtown environment such as Downtown Topeka, these stores would likely be independent, local businesses with the exception of a grocery store, which could be smaller format version of an existing chain.

Sources: ESRI; Greater Topeka Partnership

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DOWNTOWN WORKER AND VISITOR MARKET: EXISTING SUPPORT

In downtowns, retail demand is provided by a variety of sources beyond residents, including workers, convention attendees, business travelers, and tourists. Curating the right mix of restaurants, retail stores, and services is important in capturing this demand.

As shown in the graphic to the right, residents are the main source of support for downtown businesses. However, downtown retail also serves individuals who come to the area for work and play that are not accounted for in gap analysis, which is based on where people live. Understanding potential spending from these other groups can further inform how much retail can be supported downtown.

Workers

Spending by office workers can support a significant amount of retail space, particularly in a place like Downtown Topeka, where the concentration of jobs is high. According to research conducted by the International Council of Shopping Centers (ICSC), excluding transportation expenses and online purchases, office workers spend about $129 on average each week on purchases near their office building during the workweek. A significant portion of this spending ($26) is at restaurants, with workers patronizing quick-service establishments (such as delis) more frequently than full-service restaurants. The average office worker spends $20 weekly at grocery stores near work, showing that the large daytime population of Downtown Topeka can supplement residential support for this type of establishment. Office workers also patronize many other types of establishments that are well-suited for a downtown environment, such as personal care shops, drug stores, and entertainment. Assuming office workers in Downtown Topeka spent $10 per day, or $50 per work week and about 75 percent of this spending occurred at Downtown and NOTO establishments, it would result in demand for nearly 130,000 square feet of retail and restaurant space.

Convention

Even though the Kansas Expocentre is about one mile from Downtown Topeka, the study area can benefit from the estimated 357,000 attendees who visit this facility every year. According to a study by the Kansas Department of Wildlife, Parks, and Tourism, the average visitor spends $191 per day, which includes overnight visitors w ($355) and daytime visitors ($80). Of this spending, over 50 percent is estimated to be on food and restaurants and 20 percent is retail. If even half of this activity could be captured by Downtown Topeka, these visitors could support 97,000 square feet of retail space.

Destinations

Topeka destinations such as the Kansas History Museum attract many visitors to the city each year. The Topeka Zoo, for example, has an estimated attendance of 200,000 people. In addition, Downtown and NOTO events and festivals currently bring an estimated 100,000 visitors to the area each year. *The Economic Impact of Travel in Kansas, 2017* indicates that daytime visitors spend, on average, $80 each day. Realistically, Downtown and NOTO would not capture all of this spending because a number of the visitors would be residents. Therefore, an estimated capture rate of 30 percent is applied to the $24 million in spending that daytime visitors would generate. This would create demand for approximately 21,000 square feet of retail downtown.

Cultural

The Topeka Performing Arts Center is a cultural institution that draws an estimated 75,000 visitors every year. Theater-goers tend to spend money on food and drinks before or after a show. With the relatively small number of visitors, this amount of spending supports a modest 5,000 square feet of space. However, these institutions and their visitors serve an important role for downtown. From a retail standpoint, they provide evening activity, which is particularly important to restaurants which often need to have at least two meal services a day to survive. Their patronage during dinner, when office workers are gone, can help fill that need.

RETAIL/DINING DEMAND BY USE

	CONVENTIONS	DESTINATIONS	CULTURAL	WORKERS	RESIDENTS
					
CURRENT ATTENDANCE	357,000	300,000	75,000	23,000	51,900
TOTAL DEMAND	195,000 SF	69,000 SF	6,000 SF	171,000 SF	1,400,000 SF
DOWNTOWN CAPTURE	97,000 SF	21,000 SF	5,000 SF	130,000 SF	360,000 SF

Sources: Visit Topeka; KS Expo Centre Master Plan (12/06/17); Topeka Performing Arts Center 2017 Annual Report; Downtown Topeka, INC.

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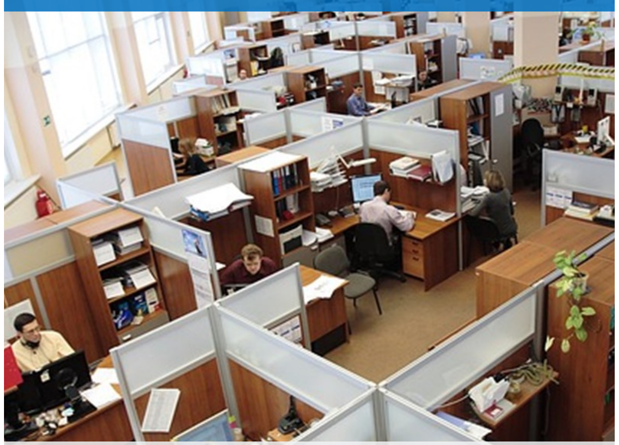
FUTURE RETAIL DEMAND

Retail demand will increase as visitation at the convention center and area attractions improves, businesses expand or locate Downtown, and more residents move to the area.

The final step in determining retail demand involves looking at the future. As Downtown Topeka begins implementing its plan and conditions improve, new residents, workers, and visitors will spend more retail dollars Downtown and in NOTO. If the Expocentre follows the facility improvement recommendations in its master plan, annual attendance is expected to increase by 193,000, with an accompanying demand for 150 more hotel rooms. This increased activity in the future will support another 53,000 square feet of retail space. If 250,000 to 350,000 square feet of office is added to the Downtown market, 900 to 1,200 new jobs would be accommodated, increasing retail demand by 5,000 to 7,000 square feet. The approximate 1,620 new residents who would occupy the new residential units would support approximately 22,000 square feet of retail space.

	WORKERS	CONVENTIONS	RESIDENTS
			
PROJECTED ATTENDANCE	900-1,200 more workers	150 more hotel rooms; 193K more convention attendees	1,620 more residents
PROJECTED DEMAND	5,000-7,000 SF	53,000 SF	22,000 SF

Source: Development Strategies 2019

MARKET ANALYSIS SUMMARY

The most immediate market opportunities are for rental apartments, with a mixture of rehabbed spaces and new construction.

Market analysis revealed the strongest opportunities are for downtown housing, with approximately 850-900 new units supported over the next ten years. Early on, a majority of these will be rental apartments, but as the downtown progresses, lower-density for-sale products like townhomes may become viable.

Overall, nearly 700,000 square feet of retail is considered to be supportable and this number includes existing space. The quality of retail tenants and spaces will continue to improve as new residents and workers move downtown, but new construction will be relatively limited.

Topeka can also expect to capture an increasing share of local companies that are looking to relocate or expand. Up to 300,000 square feet of new or rehabbed space will be needed to accommodate this growth. With anticipated improvements, the downtown will become a more attractive destination for business travelers and tourists, generating demand for approximately 200 more rooms.

Source: Development Strategies 2019

VISUALIZING DEMAND

The market analysis concluded that there is demand for new housing; however, demand is finite and housing development should be focused in area where it will have the maximum impact.

Demand for new residential products is finite—850 to 950 units of multifamily and townhome construction would require approximately 25 acres of land, or four percent of the land in the study area. There is not enough demand to fill every corridor with new residents. Therefore, it is essential to decide where it will be most strategic to direct this development. Scattered development would make it difficult to create cohesive districts, lessen the overall impact of the development, and limit its ability to support or catalyze additional retail and neighborhood service development.

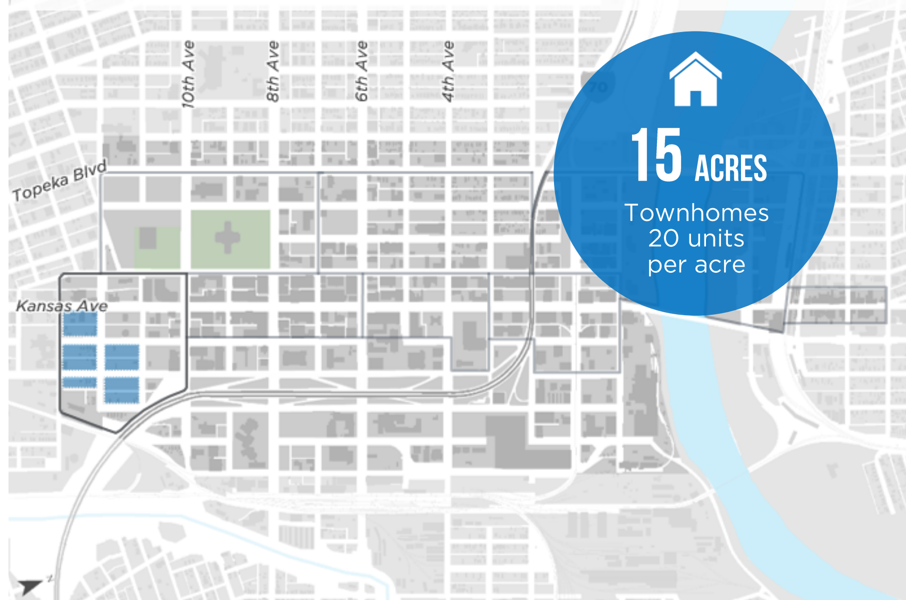
One of the key goals expressed by stakeholders involved in this study is to connect the Capitol to the river—create a place along the Van Buren Corridor. There are currently several surface parking lots and underutilized properties in this corridor that have potential for new multifamily and mixed-use development. Townhomes are more appropriate on the edge of Downtown, perhaps in the neighborhood around the water tower where there is significant vacant land. New development here would meet a market need while stabilizing those blocks, which are within walking distance of most Downtown amenities and services.

Retail demand is also finite. This is one reason an inventory of retail space is important—vacancies in targeted retail districts (Kansas Avenue and NOTO) can be identified and marketed. The graphics on the next page illustrate the scale of retail demand. The market analysis concluded support for approximately 690,000 square feet of retail in the study area. Kansas Avenue, between 6th Street and 10th Street, could support up to 285,000 square feet of retail space. This excludes buildings where the design limits retail potential and banks. NOTO has approximately 150,000 square feet of ground floor space. Combined, these districts potentially contain more than 60 percent of supportable retail space. As with residential uses, it is critical to be strategic about what locations are targeted for retail.

HOUSING DEMAND: New Construction - Multifamily Rental

Source: Development Strategies 2019

HOUSING DEMAND: New Construction - Townhomes



Source: Development Strategies 2019

RETAIL DEMAND: KANSAS AVENUE

Source: Development Strategies 2019

RETAIL DEMAND: NOTO

Source: Development Strategies 2019


U.S. ARMY
SERGEANT PABLO MARTINEZ
CORDERS COMPUTERS
PICTURE FRAMING • ALBUMS • 1 HOUR PHO
RECYCLE

CHAPTER 5

MARKET STRATEGY

INTRODUCTION

While market analysis helps understand current conditions and opportunity, market strategy identifies how to *change* conditions and *capitalize* on opportunity. It is about making investments that are carefully targeted and optimally located, increasing the odds for success.

Market analysis conducted for this plan, when combined with a high-level physical capacity analysis, reveals that development opportunities will need to be focused in target areas. In other words, there is not enough development opportunity to reinvent all areas of downtown that need reinvestment today, so areas for future investment must be chosen carefully. *Strategically*.

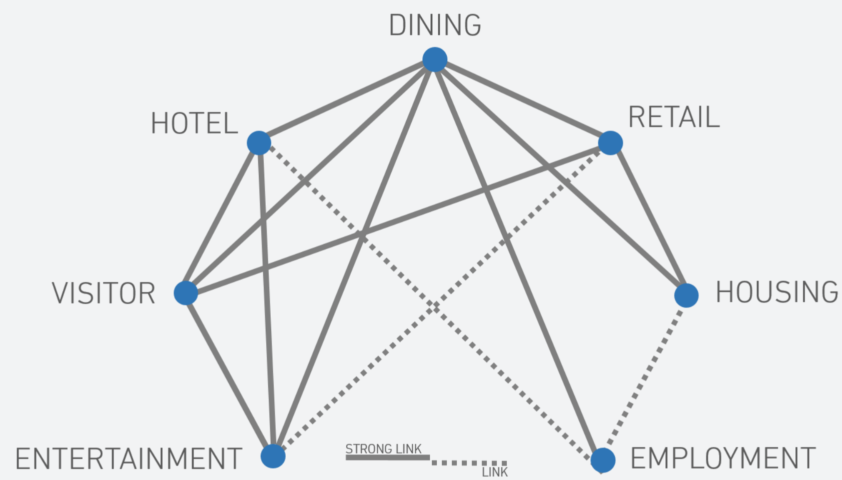
The following strategy provides three frameworks:

› **Development:** what kinds of development projects should be concentrated where

› **Districts and Branding:** how can new development be combined with other investments to create identifiable and coherent districts

› **Implementation:** who and what resources need to be aligned in order to realize success?

ALIGNING DEVELOPMENT OPORTUNITIES



Source: Development Strategies 2016

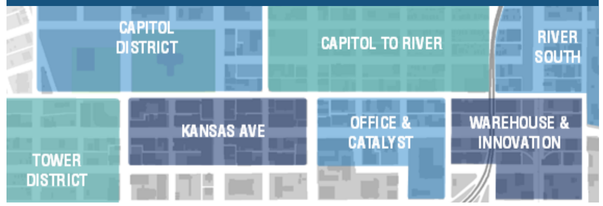
A critical element of a market strategy involves aligning opportunities in ways that are synergistic, while separating necessary components of a downtown that may have incompatibilities. Housing that targets singles may do well adjacent to an entertainment district; housing targeting couples and mid-career professionals will do better above or beside quieter dining experiences. Visitor experiences are going to be closely tied to hotels and entertainment; local residents may prefer to be separated from these experiences.

DEVELOPMENT FRAMEWORK

A Development Framework provides the who, what and where of a strategy to encourage the development of housing, retail, office, and hospitality. That is, who to target, what the product needs to look like, and where it needs to be located. It ensures that the right product is in the right location. For example, housing for young professionals may do well in an entertainment district whereas housing targeting couples and mid-career professionals will be more successful in an area slightly more removed from activity centers.

The product must also be targeted. Singles might prefer smaller, but optimally-located units that keep rents down and put them where the activity is. Mature couples might want larger units, and be able to afford them. Entertainment and dining that targets families might need to be separate from entertainment that targets adults. Hotels may need to be close to office if they serve business travels; landmarks and attractions if they serve visitors. This framework explores opportunities for housing, retail, office, and hospitality.

DISTRICTS & BRANDING



Vibrant downtowns are diverse in both people and offerings. They are employment centers, residential neighborhoods, visitor destinations, and shopping districts—and are the only places where such an array of experiences and uses can typically occur together. It is what makes them special. The character of downtowns can and needs to change over space and time in order to provide such richness and, as a result, we typically think of downtowns as being composed of districts.

A district and branding framework for Topeka builds upon the assets of Downtown today—the Capitol, Kansas Avenue, the Topeka Arts Center—with real market opportunities that can be leveraged enhance Downtown in the future. A district strategy provides the essential link between what a place is, and what it can be, because it shapes a coherent investment strategy that targets the right *people* with the right *products* in the *right* places. This leads to a set of branded districts that are unique and distinctive. By leveraging investments in place and the public realm, sound urban design and architecture, anchors to drive traffic, and coordination of complementary uses, districts can be created that are greater than the sum of their parts.

IMPLEMENTATION FRAMEWORK

The implementation framework provides guidance on steps that need to be taken to unlock the market potential of Downtown. It provides for lead actors and support actors; and actions that range from partnering, to funding, to specific areas for focused investment. It provides guidance to the private, philanthropic, institutional, and public sector to direct investment and ensure coordination of efforts.

An implementation strategy focuses the energy of the community on a clear vision for the future. By leveraging the assets of each district and allowing for complementary efforts, Topeka will be able to create a unified downtown that is greater than the sum of its individual parts. These strategies—some long-term, others short-term—will enable the city to transform the downtown into a thriving urban district that attracts more residents, commercial activity, and visitors.

DRAFT

HOUSING: WHO

Young professionals are the primary target group for Downtown Topeka, particularly early on. They will expect high quality rental apartments and walkable amenities.

Market analysis indicates that the downtown Topeka study area can support about 850-950 new or rehabbed housing units over the next 10 years. The target markets for these products can be divided into three general groups: young professionals, mid-career & empty nesters, and students.

Young Professionals
The strongest support for housing in downtown is expected to come from young professionals. This group is attracted to urban environments and is willing to move to up and coming areas like Downtown Topeka. These people are generally well-educated, but just starting out in their careers (and have salaries in the range of $35,000-$45,000). A large majority are renters and would be living alone or with a roommate. Young professionals will add a lot of vitality and help support night life that keep downtown active after hours.

Mid-Career & Empty Nesters
Once Downtown Topeka has well-established walkable amenities, attractive streets, and improved buildings, it will be able to attract moderate support from a more mature target group. This group is more affluent and generally prefers homeownership, requiring a different kind of product than young professionals. They often enjoy being close to, but not within, high activity areas and will place a high value on cultural amenities.

Students
Given the distance to Washburn University, support from students is expected to be relatively low. However, some may be willing to increase their commute to campus to be close to a quality urban environment. Unsurprisingly, students are almost exclusively renters. They generally have low incomes, although the data can be somewhat misleading as parents often provide additional financial support. They tend to prefer inexpensive fast-casual restaurants and will seek out social activities late in the evening.

YOUNG PROFESSIONALS

Target Demo (s)
Singles
Couples

Peak Activity Hours
Evening/Late Evening
Weekends

Income
$35,000-$45,000

Product Types
Apartments - New and Rehabbed

Tenure
80% Renter

Level Of Support
High

MID-CAREER & EMPTY NESTERS

Target Demo (s)
Empty Nesters
Professional Couples

Peak Activity Hours
Early Evening
Weekends

Income
$70,000-$75,000

Product Types
Townhomes and Condo Apartments

Tenure
20% Renter

Level Of Support
Moderate

STUDENTS

Target Demo (s)
Graduates
Undergraduates

Peak Activity Hours
Evening
Weekends

Income
$20,000-$25,000

Product Types
Apartments

Tenure
100% Renter

Level Of Support
Low

HOUSING: WHAT

The immediate needs for downtown housing are rental units, both rehabbed and new construction. As the downtown progresses, for-sale townhomes should become a viable option.

There are four housing typologies that will serve the diverse needs of potential downtown residents:

New Construction
Newly constructed apartments will be an important part of the downtown renaissance, as many people simply prefer the quality and amenities they afford. Consequently, this product will be able to achieve the highest lease rate per square foot. Monthly rents are expected to be in the range of $850 to $1,200. Of the total of 850-950 units expected downtown, almost 40% are expected to be new construction.

Rehabbed Apartments
Rehabbed apartment units will be scattered throughout the study area and are important to the fabric of Downtown. The historic feel and unique space is attractive to many tenants and the locations are often in the heart of high activity areas. Overall rents will be somewhat comparable to new construction, but the per square foot rent is generally lower as the apartments are often larger in size.

Townhomes
For those wanting a larger space and more privacy, rental townhomes are likely to be an attractive option. Early efforts should focus on higher-density uses, but this product type will help attract a more affluent and mature target audience. Average monthly rents are expected to be in the range of $1,000-$1,650.

For-Sale
For-sale products will likely not be a viable option, in large numbers, until the downtown is more established. The target market for these units will be slightly older couples who are more established in their careers and want to be within walking distance to activity centers. The minimum purchase price will be about $200,000 and could go above $350,000, depending on the quality of the unit and the improved marketability of Downtown Topeka.

NEW CONSTRUCTION

Avg. Rent Per Month $850-$1,200	**Demand** ± 350
Unit Sizes (Sq. Ft.) 600-950	**Target Market** Young Professionals Mid-Career Professionals Students
Avg. Rent Per Sq. Ft. $1.25-$1.50	

REHABBED APARTMENTS

Avg. Rent Per Month $750-$1,200	**Demand** ± 175
Unit Sizes (Sq. Ft.) 700-1,100	**Target Market** Young Professionals Mid-Career Professionals
Avg. Rent Per Sq. Ft. $1.00-$1.25	

TOWNHOMES

Avg. Rent Per Month **$1,000-$1,650**	**Demand** ± 100
Unit Sizes (Sq. Ft.) **1,100-1,850**	**Target Market** Empty Nesters Mid-Career Professionals
Avg. Rent Per Sq. Ft. **$0.90-$1.10**	

FOR-SALE

Avg. Sale Price $200K-$350K+	**Demand** ± 250
Unit Sizes (Sq. Ft.) 1,500-2,500	**Target Market** Empty Nesters Mid-Career Professionals
Price Per Sq. Ft. $120-$150+	

DRAFT

HOUSING: WHERE

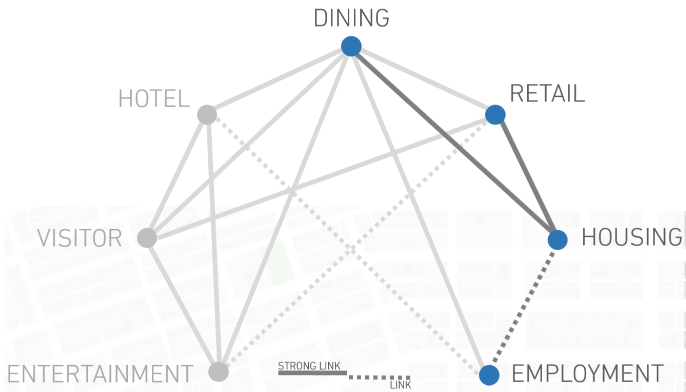
Upper-floor apartments will reinforce Kansas Avenue as the primary-mixed use district in Downtown. New apartments can be focused along Van Buren, creating a new residential neighborhood.

The housing strategy that emerged focuses new construction along Van Buren, while upper-story historic apartment rehabs can continue to be clustered along the south end of Kansas Avenue, as part of a mixed-use district. Continued reinvestment in these historic properties will increase curb appeal and help commercial spaces thrive. To the north, it is possible to introduce residential uses into historic brick industrial buildings that are underutilized. These loft products will offer an edgier feel that fits the transitional nature of the area which, in some cases, has active industrial uses.

New construction along Van Buren can be used to help transform this key area into a beautiful residential neighborhood. With stunning views of the capitol at one terminus, and the riverfront and future activity as the other, Van Buren is the logical place to direct future growth, with its underutilized sites and great catalytic potential.

There is potential for high-end rental units close to the river, as the area improves and the riverfront becomes a more active and attractive reactional amenity, and potentially, entertainment district. These products are likely to happen later in the evolution of Downtown Topeka.

In the future, as for-sale products become more viable, the area around the water tower could be a good location for an urban village, containing medium density housing options such as townhomes and small apartment buildings. This neighborhood is close to the amenities of downtown, but separated enough to be more attractive to those seeking more privacy and larger home. The large amount of vacant and underutilized land in this area make new construction more feasible.



POTENTIAL AREAS FOR HOUSING

RETAIL & RESTAURANTS: WHO

A retail strategy for Downtown Topeka must address the diverse needs of the various target markets and adjust products, hours of operation, and the shopping environment accordingly.

Residents

Residents will be a major source of support for downtown retail. The first residents of Downtown Topeka will be young professionals, people early on in their careers who prefer an active urban environment with opportunities to socialize. As the downtown progresses, it will also be able to attract a more mature audience that has higher disposable income. Both of these groups will be most active on weekday evenings and weekends and will want restaurants and nightlife, fitness and personal care establishments, and everyday shopping needs such as a grocery store or pharmacy.

Workers

The high concentration of office workers in Downtown Topeka provides substantial support for retail. A significant portion of their weekly spending is at restaurants, but they will also patronize personal care establishments, grocery stores, drug stores, and entertainment venues. Workers fill an important gap in the retail landscape as they're most active during the day, when residents may be elsewhere working.

Visitors

Whether in town for leisure or businesses, many visitors will want to see Downtown Topeka, not only for the Capitol building, urban experience, and unique establishments. Most of their spending will be on food, but boutique retailers may also be able to draw enough customer support to succeed.

Students

While students are not expected to be a major component of the population living downtown, they will likely be part of the customer base. Students tend to prefer more affordable, fast-casual dining options and will embrace opportunities to socialize later in the evening.

WORKERS

Groups
Downtown Workers
Government Employees

Retail Preferences
Fast Casual Dining

Peak Activity Hours
Weekday Lunch

Level Of Support
Moderate

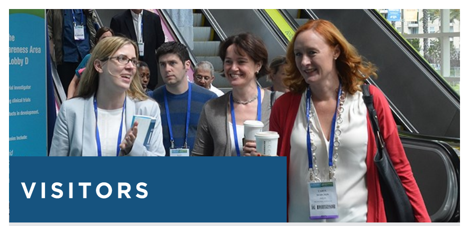
RESIDENTS

Groups
Young Professionals
Couples
Singles

Retail Preferences
Grocery Store
Pharmacy
General Merchandise
Dining/Nightlife

Peak Activity Hours
Early Evening
Weekends

Level Of Support
Moderate



VISITORS

Groups
Leisure Travelers
Conference Attendees
Cultural Events

Retail Preferences
Upscale Dining
Fast Casual Dining
Boutique Retail

Peak Activity Hours
Lunch
Weekends

Level Of Support
Moderate

STUDENTS

Groups
Undergraduates
Grad Students

Retail Preferences
Fast Casual Dining
General Merchandise
Pharmacy
Grocery Store
Bars

Peak Activity Hours
Lunch
Evening
Late Evening

Level Of Support
Low

RETAIL & RESTAURANTS: WHAT

With the exception of the south riverfront, new construction will be a small component of retail growth moving forward. Most activity will occur in the form of major interior and exterior upgrades to existing spaces along South Kansas Avenue and in NOTO.

Most retail growth in Downtown Topeka will occur through the rehabbing and upgrading of existing space. With increased demand from residents, workers, visitors, and students, rents are expected to increase to $16-$20 per square foot in prime space on South Kansas Avenue, and $12-$16 per square foot in NOTO. These higher rents will enable landlords to invest in upgrades to the interior and exterior of buildings, greatly improving the aesthetics of downtown and helping to continue the positive momentum already underway.

There is limited demand for new retail space. Some of this demand can potentially be concentrated into an entertainment district near the south edge of the river and some will occur as a small part of larger multi-family developments, which the housing strategy suggests concentrating along Van Buren. Due to the cost of construction, rents will be in the range of $18-$24 per square foot. While corner shops will rely heavily on traffic from neighborhood residents, the entertainment district will be able to attract a wider array of customers.

GROUND LEVEL - EXISTING SPACE

Typical Rents $16-$20/SF (Anchor) $12-$16/SF (Funky) **Features** 2,000 SF+ (Full Rehab) 800-3,000 SF (Light Rehab) **Demand Pool** Moderate	**Target Market** Restaurants/Bars Artist Shops/Galleries Local Shops Gathering Spaces Coffee Shops

NEIGHBORHOOD

Typical Rents $18-$24/SF **Features** 3,000 SF+ (More Likely to be New Construction) **Demand Pool** Limited	**Target Market** Grocery Convenience Store Chain Restaurants

DRAFT

RETAIL & RESTAURANTS: WHERE

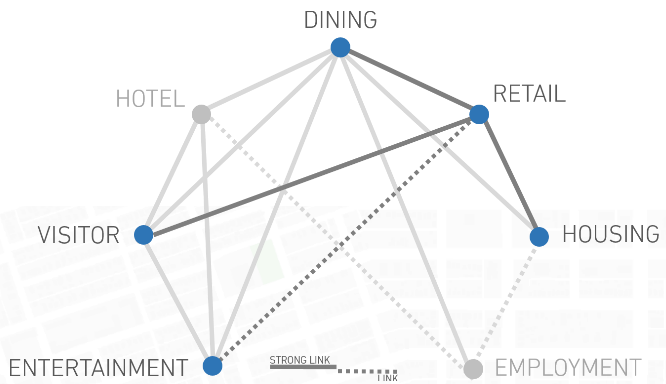
Prime retail space will be concentrated in the historic buildings along South Kansas Avenue and a potential new entertainment district along the south riverfront, with more funky/eclectic space in NOTO, and limited neighborhood retail nodes on the ground floor of new multi-family buildings on Van Buren and farther north on Kansas Avenue.

Through major investments in the street and quality of place, Topeka has successfully induced private investment in the historic buildings along South Kansas Avenue. As the downtown matures, these four blocks will likely continue to be the center for prime retail activity for the district. Vacancies will decline, retail spaces will see major investment, and the quality of the tenants will continue to improve. Outdoor dining and street activity will be critical components of maintaining the vibrancy of this key area.

The other prime retail hub for downtown Topeka is along the south riverfront. This area has the potential to be a unique entertainment district if it can leverage proximity to the river, attract the appropriate tenants, and gain momentum. Great efforts will need to be made to connect this development across the river to NOTO, to the future residential corridor along Van Buren, and to the growth already occurring along South Kansas Avenue.

Although support from nearby residents and workers is not as strong, NOTO has created a unique niche for itself as the designated arts district in Topeka. The area has tons of personality, which is reflected in the unique shops, murals, and public events. Tenant spaces are more likely to be modestly rehabbed, which will help sustain lower rents that enable a wide variety of businesses to get started. Retailers and restauranteurs are expected to be relatively eclectic, with greater potential for art space and small performance venues.

There will not be enough retail demand to line all of Kansas Avenue and Van Buren with commercial space. However, maintaining retail momentum along these long stretches of road is an important part of an active, urban street. Therefore, remaining retail demand should be concentrated at key intersections along both streets, keeping retail options within close reach of all residents and workers.



POTENTIAL AREAS FOR RETAIL

HOSPITALITY

Downtown Topeka has an opportunity to provide additional high-quality hotel space, and potentially a conference center, to more capitalize on tourists and business travelers seeking a more urban experience.

WHO

Between tourists who come to Topeka for attractions like the zoo and business travelers who come for meetings and conferences, the City draws hundreds of thousands of visitors each year, many of which will need overnight accommodations. Tourists are more likely to be present on the weekends, whereas business travelers will need accommodations primarily on weekdays. In addition to hotel rooms, these visitors will help drive demand for restaurants, cultural experiences, and potentially nightlife.

WHAT

Different types of products are needed to fit the needs of these diverse target markets. Families on a budget often seek out a midscale hotel chain, whereas business travelers and more affluent tourists may prefer higher quality lodging in the form of a boutique hotel or four-star property. Even with the addition of the Cyrus Hotel, Downtown Topeka doesn't have enough high quality rooms to meet the needs of these visitors. New products are likely to take the form of a boutique hotel, or business select hotel, potentially with a conference center. Average daily rents are expected to be in the range of $130 to $150.

WHERE

The two most likely locations for a hotel are along South Kansas Avenue, or along the south riverfront if the City can start building momentum in that area. By the river, new construction would most certainly be required, whereas on Kansas Avenue a hotel could potentially rehab a historic structure. A hotel in either location would greatly increase the supply of quality space and help draw more visitors who will also support retail and entertainment in the downtown.

VISITORS

Type
Leisure Travelers Families

Peak Activity Hours
Weekends

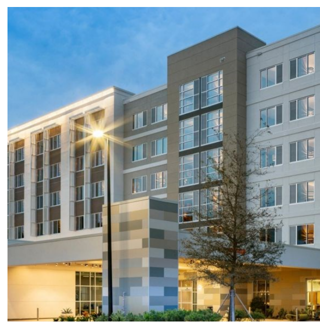
Needs
Dining & Amenities
Midscale & Upper Midscale Hotels
Cultural & Recreation Experiences
Culinary Experiences

CONFERENCE AND BUSINESS

Type
Business & Related

Peak Activity Hours
Weekday Lunch
Evenings

Needs
Nightlife/Dining
Culinary Experiences
Hotel
Banquet Space



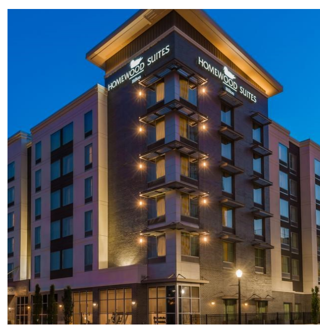
NEW BOUTIQUE HOTEL

Typical Size
100 to 170 Rooms
50,000 to 100,000 SF
1.0 to 3.0 Acre Site

Performance Targets
$130-$150 (ADR)
75%-80% (Avg. Occupancy)
$100-$110 (REVPAR)

Target Market
Business Travelers
Leisure Travelers

Demand Pool
Moderate



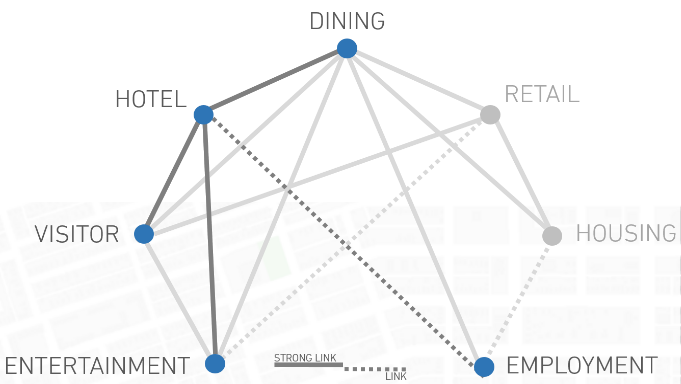
BUSINESS SELECT/SUITE HOTEL

Typical Size
80 to 140 Rooms
40,000 to 90,000 SF
1.0 to 3.0 Acre Site

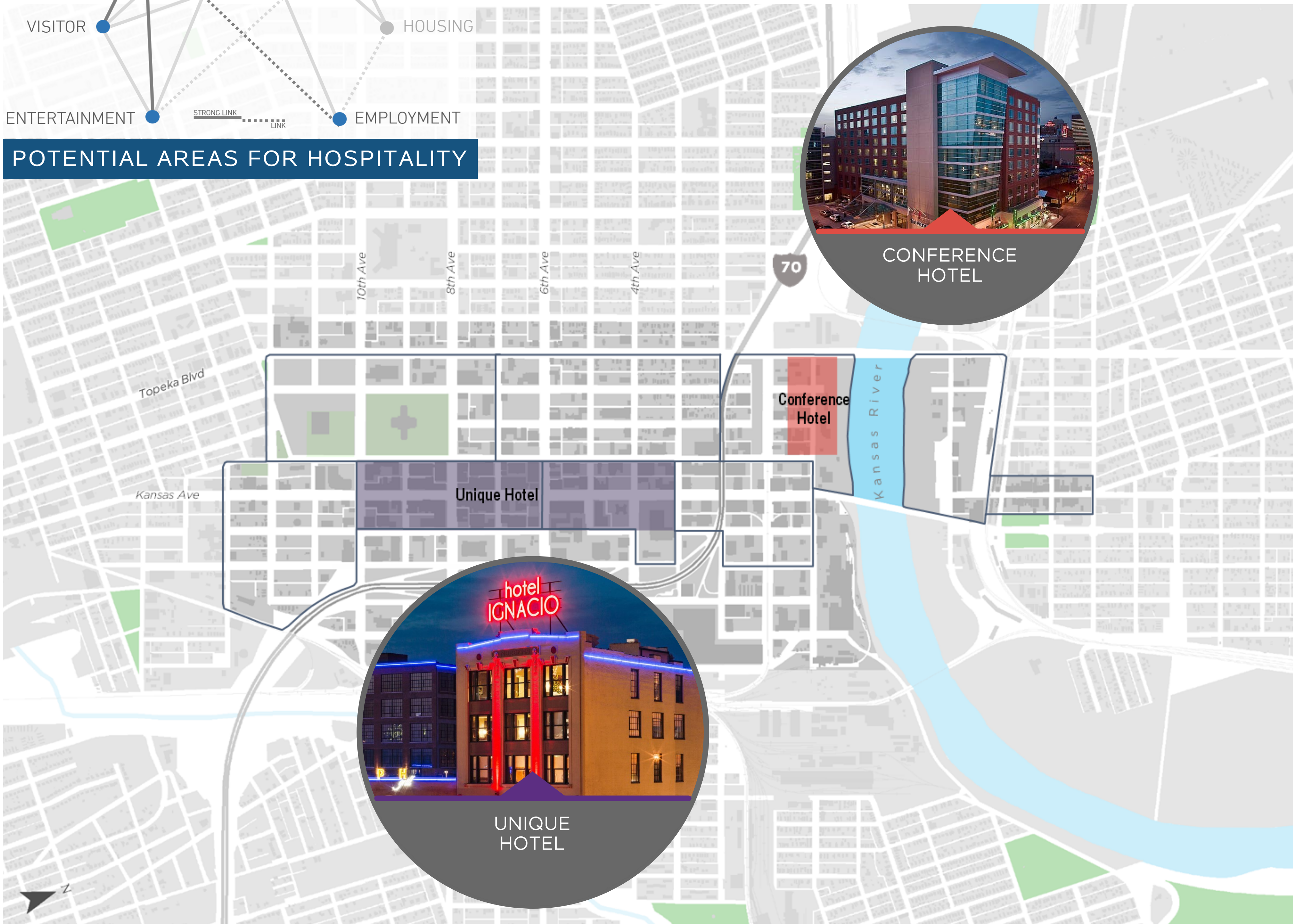
Performance Targets
$130-$150 (ADR)
75%-80% (Avg. Occupancy)
$100-$110 (REVPAR)

Target Market
Business Travelers
Event Attendees
Families

Demand Pool
Moderate



POTENTIAL AREAS FOR HOSPITALITY



OFFICE

Traditional office users will be attracted to Kansas Avenue, whereas the industrial area to the north offers a unique opportunity to create a transitional district that contains active industrial users along with creative, start-up, and co-working spaces.

WHO

The demand for downtown office space will come from a broad spectrum of industries. Many of these companies will employ people who specialize in more traditional fields such as business, law, or finance. Some of these companies will be staffed by those who have backgrounds in creative/ technology fields such as computer programming, website design, graphic design, or marketing. The presence of these workers will help create an active downtown during the day and will drive demand for other uses such as restaurant and retail.

WHAT

New and renovated office development downtown should be focused on accommodating a variety of needs and affordability, in order to draw a diversity of companies to the area. Creative and start-up companies are initially going to be looking for affordable space and co-working opportunities, particularly in existing buildings that have unique character. As these companies mature, they may expand into higher quality buildings that feature open floor plans and on-site amenities. Conventional industries are looking for traditional workspaces that will likely have rents in the range of $18-$24 per square foot, depending on the quality of finishes and services provided.

WHERE

The industrial area near Kansas Avenue & 1st Street is a great opportunity to introduce unique office space for start-ups and creative businesses. Adaptive reuse of a few historic buildings will help provide a good transition between the downtown core, the river, and the nearby industrial users. Firms seeking traditional office space will find Kansas Avenue very appealing, as well as space surrounding the capitol building.

CREATIVE & STARTUP

Industries & Occupations
Tech/IT/Design

Downtown Needs
Entrepreneurs
Access to Capital
Incubators
Cheap Space

Common Backgrounds
Computer Programming
Entrepreneurship
Graphic Design/Marketing

Peak Activity Hours
9-9, M-F

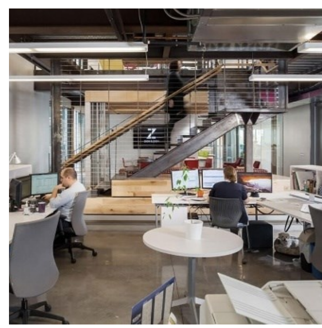
CONVENTIONAL OFFICE

Industries & Occupations
Business & Related

Downtown Needs
Image
Visibility
Dining
Entertaining

Common Backgrounds
MBA
Finance
Law

Peak Activity Hours
9-5, M-F



CREATIVE/TECH

Typical Rents	Target Market
$25-$35/SF Individual Workspace Office Retail Options	Tech/IT Coworking Art & Design
Amenities	**Demand Pool**
Shared Workspace Food Options Fitness	Niche

CONVENTIONAL

Typical Rents	Target Market
$18-$24/SF	Finance Insurance Professional Services
Amenities	**Demand Pool**
Traditional Workspace Cafeteria	Moderate

POTENTIAL AREAS FOR OFFICE

DOWNTOWN DISTRICTS

To create a Downtown Topeka that is distinctive, diverse in experience, and leveraging market opportunities, nine districts are envisioned with their to have its own distinct mix of uses, character, and development opportunities.

A districting strategy differentiates areas of downtown based on their functions, amenities, and opportunities. A districting strategy also provides a framework for guiding the densities, uses, and character of new development and public realm investments. This helps people orient themselves, sets user expectations, and assists with marketing, all of which are good for business. Nine unique districts have been identified for Downtown Topeka. Each has their own distinct personality, yet complement each other in service of a larger, unified Downtown.

NOTO

Local entrepreneurs have brought new life to the one-, two-, and 3-story historic buildings along North Kanas Avenue. Anchored by the NOTO Arts Center, this district has quickly become the center of art in Topeka. Buildings are filled with unique shops and restaurants, and the exteriors often feature colorful murals that add charm and character. Connecting this area to the river and the activity on South Kansas will drive continued investment and help create a unified downtown.

River North

Great Overland Station is the highlight of the River North District. Planned park improvements surrounding the property would make better use of this asset and provide connections to the Kansas River. Several nearby industrial properties offer opportunities to infuse art into this district, more strongly linking it with NOTO.

River South

Along the south riverfront, City ownership of several key parcels will make it easier to assemble enough land for a major new construction project which, will anchor a larger entertainment district. Improved parks, trails, and public gathering spaces will be needed for these new retail and residential users to be able to take advantage of their proximity to the river.

Capitol to River

The future of this district is primarily residential. With amazing views of the capitol building and proximity to the shops and amenities along Kansas Avenue, this area will be very attractive for new residential construction, a product which is needed to draw a wider variety of people to live downtown.

Capitol District

Government users dominate the Capitol District, with the potential for some office infill in the future. The green space around the capitol building could be leveraged to function as a neighborhood park, bringing life and activity to this important area.

Kansas Avenue

The renovated streetscape along Kansas Avenue has helped spur investment in the historic buildings that line this street. This area will continue to be the hub for retail and restaurant space downtown, with an active street, outdoor dining, and gathering.

Office & Catalyst

Traditional office users will be attracted to both new and rehabbed space within this district. Employees will be pleased to be within walking distance of the commercial core on Kansas Avenue and will help contribute to an active daytime environment downtown.

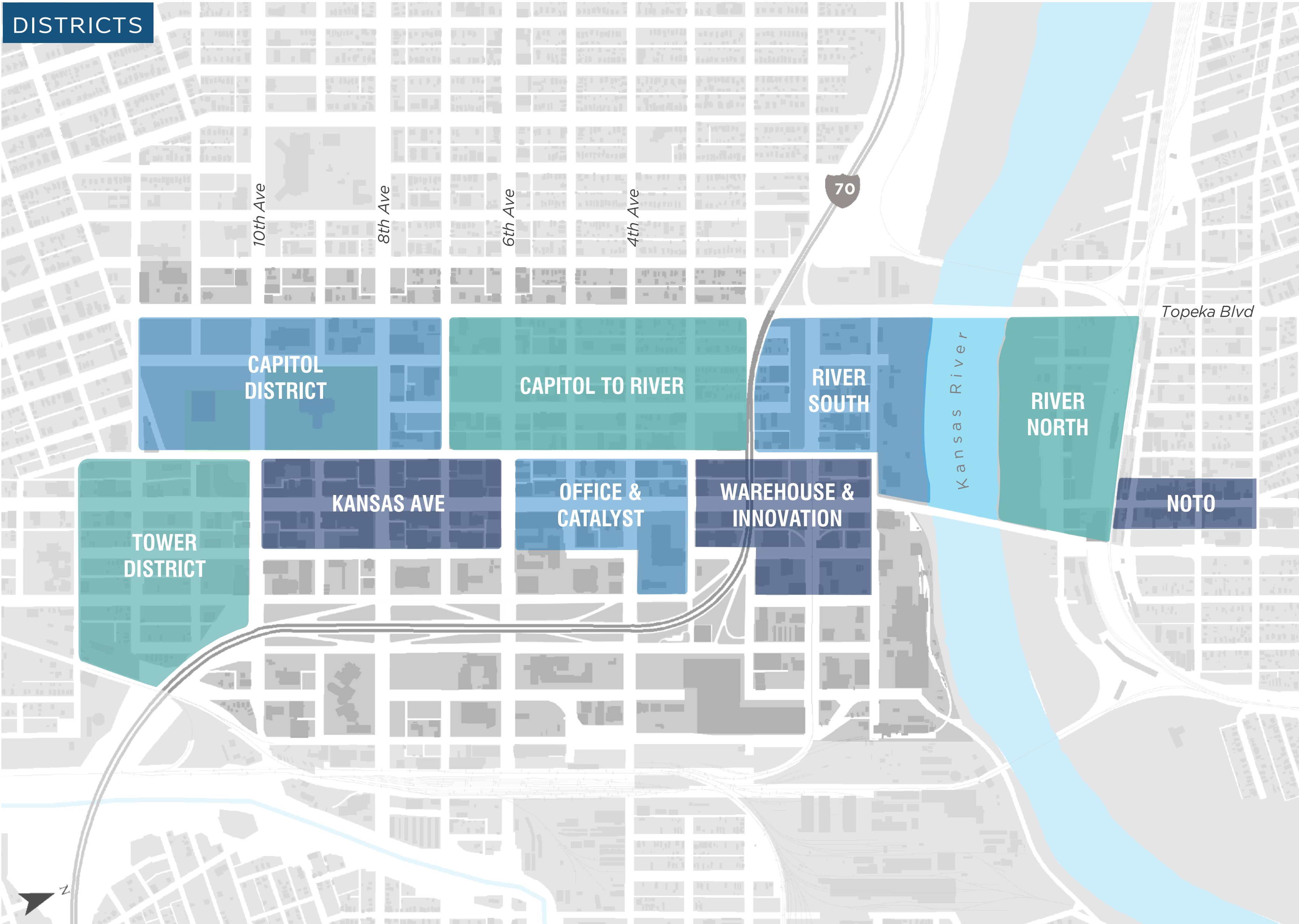
Warehouse & Innovation

While traditional office users are expected to occupy properties to the south, start-ups and creative firms could be interested in rehabbed industrial space in this district. With a mix of industrial users, unique office space, and residential lofts, this area could have a gritty urban edge and modest rents that will set it apart from other areas in Topeka.

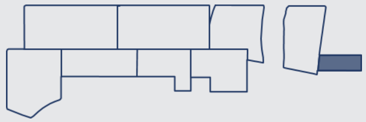
Tower District

An abundance of vacant and underutilized land around the water tower can be transformed into an urban village. Medium density products such as townhomes, duplexes and small apartment buildings will provide more space and privacy, while keeping residents within walking distance of the activity on Kansas Avenue.

DISTRICTS



10th Ave
8th Ave
6th Ave
4th Ave
70
Topeka Blvd
CAPITOL DISTRICT
CAPITOL TO RIVER
RIVER SOUTH
Kansas River
RIVER NORTH
TOWER DISTRICT
KANSAS AVE
OFFICE & CATALYST
WAREHOUSE & INNOVATION
NOTO
N

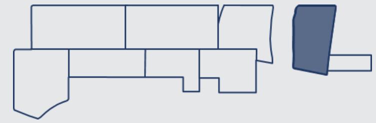


NOTO

Eclectic Arts District

NOTO has already successfully positioned itself as the arts district in Topeka. This area has a charming, local, entrepreneurial spirit that distinguishes it from other areas of the city. A strategy which focuses on increasing the amount of public art will draw more visitors to the area. The existing mural program should continue to be encouraged. Street art could provide a funky and unique alternative to more traditional public art. Rotating outdoor displays could be used to encourage people to continually revisit the area. This increased traffic will help support retail and restaurant spaces which will help activate the district.

- Unique public art
- Active streetlife
- Walkable & urban
- Outdoor dining
- Creative office
- Live-work
- Entrepreneurial
- Local



RIVER NORTH

Destination Park Space

Great Overland Station is a beautiful, historic asset that cannot reach its fullest potential without major improvements to the surrounding area. The planned Topeka Riverfront Park would make the area more appealing and provide another destination to bolster visitation. These improvements should include opportunities to meaningfully connect with the river and to cross it by walking, biking, boating, and perhaps even zip lines right over the water. Several nearby industrial properties should be adapted to infuse art into the district through major mural projects, decorative lighting, and potentially an immersive indoor art experience that could act as another anchor for the district.

- Build upon Great Overland Station
- Riverfront park
- Connection to the river
- Greenways & trails
- Community event space
- Incorporate art
- Open space

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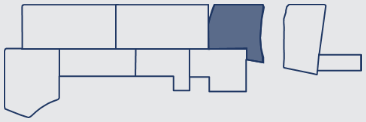
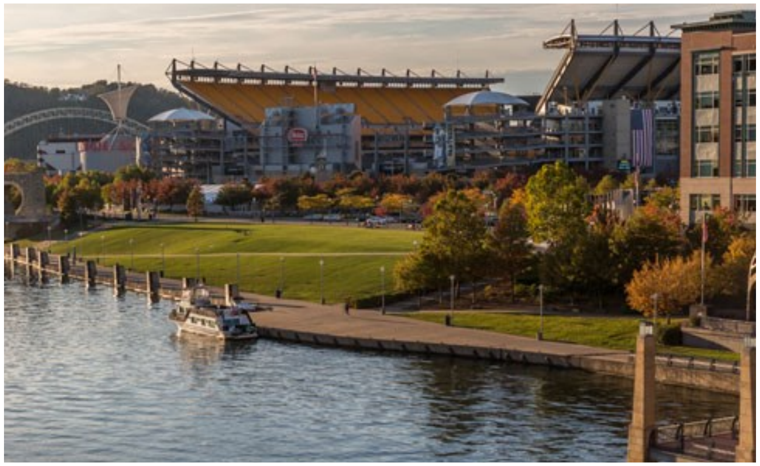


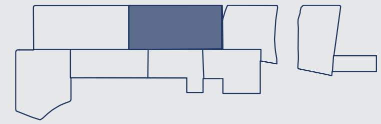
RIVER SOUTH

Exciting Entertainment District

New construction along the river could lead to the development of a mixed-use entertainment district. This area will need a significant anchor, whether that is a minor league athletic facility, hotel and conference center, or high-quality park space that has regular programming and unique public art. In this area, upscale apartments might also be an attractive option if the public realm can be improved and better connected to adjacent districts.

- River overlook
- New construction
- Connections
- Hotel
- Big anchors
- Destination





CAPITOL TO RIVER

Residential Corridor

Van Buren will act as the spine for a new residential neighborhood with retail nodes at key corners. Numerous underutilized properties and parking lots provide great sites for new upscale apartments. These high quality buildings will “raise the bar” for downtown housing and provide amenities and quality that cannot be found elsewhere in the city. Young professionals will value being in an active urban environment, close to the shops and amenities along Kansas Avenue.

- Residential focus
- Neighborhood feel
- New construction
- Apartment buildings
- Retail nodes
- Neighborhood services
- Young professionals

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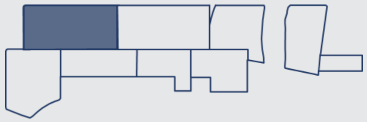
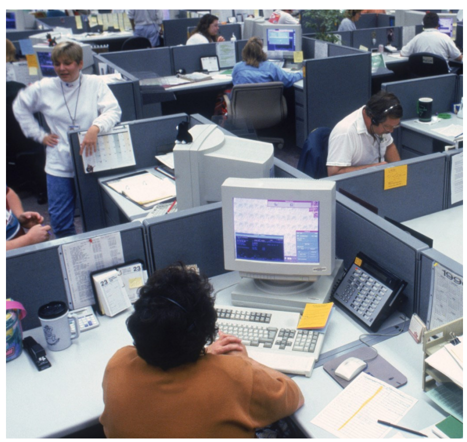


CAPITOL DISTRICT

Government Green Space

The Capitol building is the heart of this district, which is dominated by government uses. This area will remain as one of the major employment centers downtown and would be a great place for a new museum or cultural destination. In an area with little other green space, the Capitol Grounds can act as an oasis for downtown residents—a great place to read a book under a tree, meet with friends, or eat lunch outside.

- Government
- Infill office space
- Dual purpose open space
- Enhanced streetscape
- Parking lot reuse
- Cultural destination
- Tree canopy



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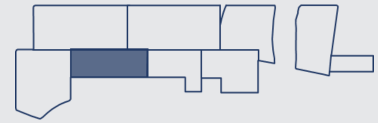

KANSAS AVENUE

Historic Mixed-Use Centerpiece

The stock of historic commercial buildings on South Kansas Avenue is unparalleled in the City of Topeka and this burgeoning mixed-use district that will continue to evolve as the centerpiece of Downtown. As more residents and workers are drawn to the area, the quality of the commercial spaces will continue to improve. Independent shops and restaurants will benefit from being clustered together in this special district, which will be the prime spot for people watching and outdoor dining.

- Mixed-use
- Destination
- Independent restaurants
- Historic
- Active street life
- Outdoor dining
- Upper-floor residential

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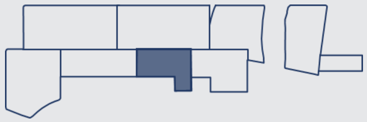
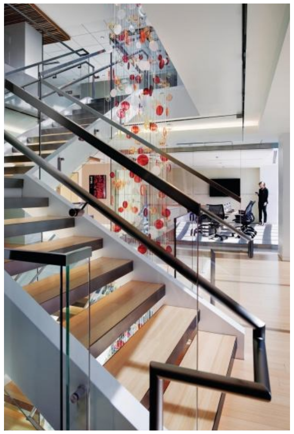


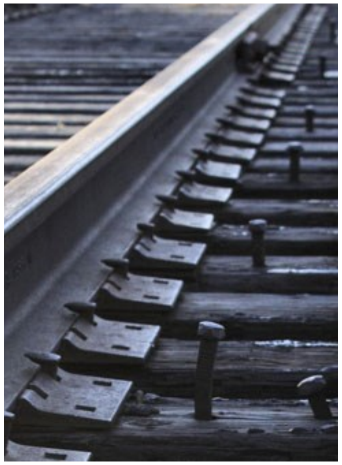
OFFICE & CATALYST

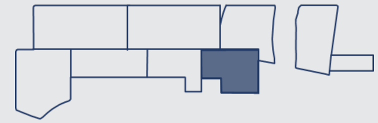
Future Employment Center

While government-related users are likely to cluster around the Capitol building, this district has a lot of potential for growth moving forward. Many office users are straying away from sterile office parks and are seeking out active places where employees can be within walking distance to shops and amenities. Therefore, Downtown Topeka is expected to be a competitive location for firms looking to expand or relocate within the City. Traditional office users will be looking for both new and rehabbed space and the employees they bring will increase daytime activity and support retail activity in the Downtown.

- Office-focus
- High-quality
- New construction
- Employment center
- Job retention
- Talent attraction







WAREHOUSE & INNOVATION

Gritty Transitional District

Start-ups and creative firms are likely to be attracted to rehabbed industrial buildings in the Warehouse & Innovation District. These users are looking for unique space at affordable prices and will enjoying being close to other progressive businesses. Residents who are looking for an urban loft experience will be able to find it here. A mix of active industrial users, creative businesses, and new residents will bring new life to this area and create a good transition between more traditional space on Kansas Avenue and the riverfront.

- Converted warehouses
- Start-ups
- Coworking space
- One of a kind residential
- Gritty
- Industrial
- Transitional

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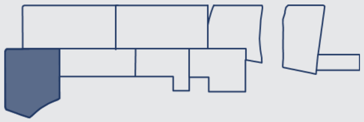


TOWER DISTRICT

Urban Village

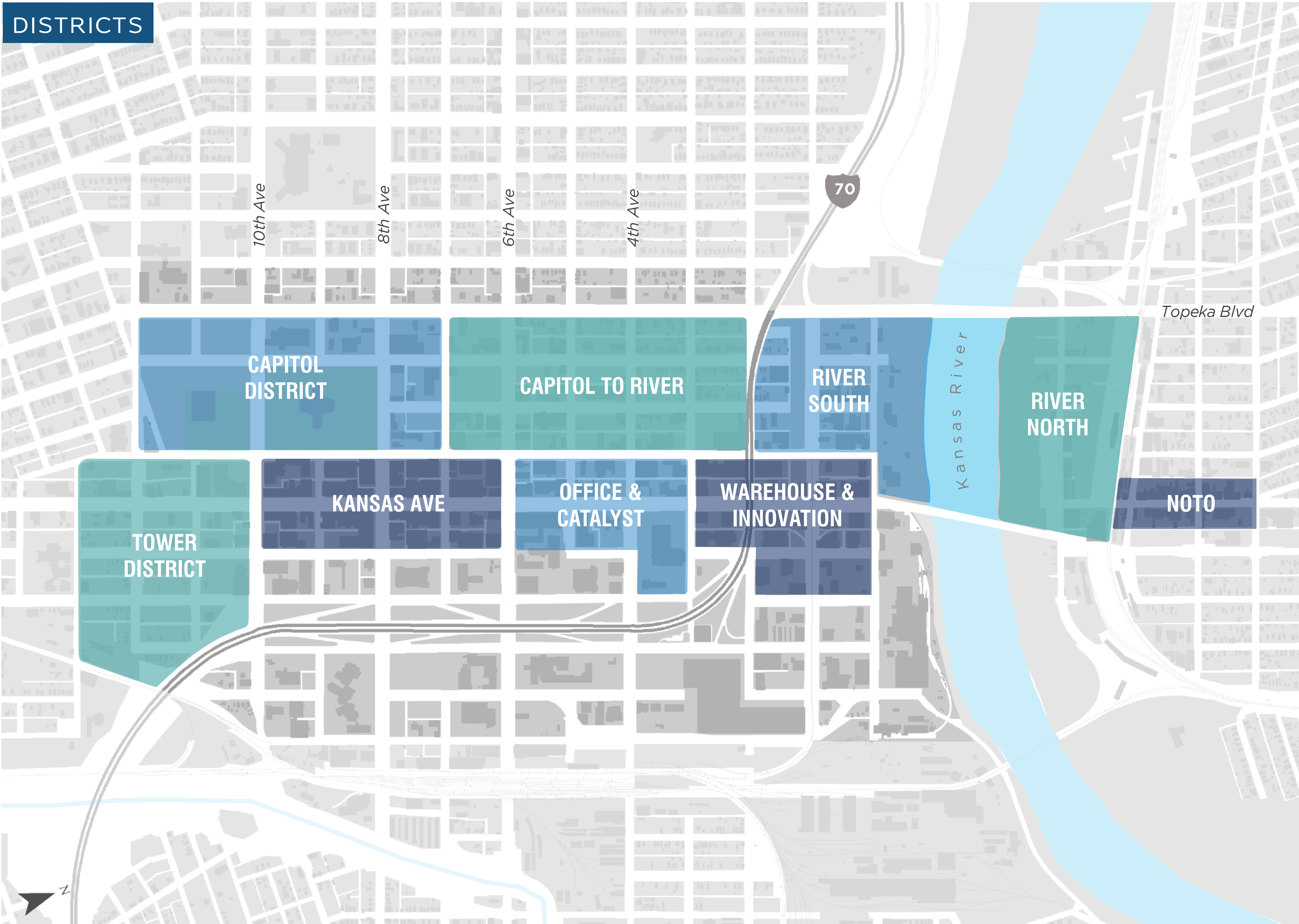
As Downtown Topeka progresses, it will be able to attract more mature residents who are looking for different types of housing than young professionals. This new neighborhood could include a signature park space that will be surrounded by new homes in the form of townhomes, duplexes, and small-scale apartment buildings. Residents will appreciate being within walking distance of the activity on Kansas Avenue, while maintaining a little more space, privacy, and quiet. Redevelopment in this district can be used to help build a better connection to heritage sites farther to the south.

- Residential village
- Townhomes
- Signature park space
- Connection to heritage sites






DISTRICTS



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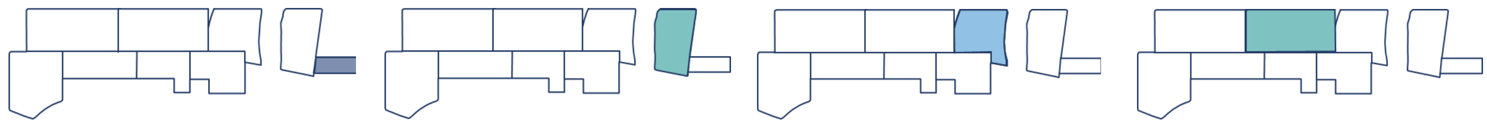
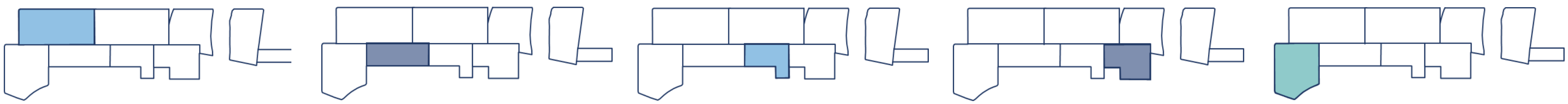


	NOTO	RIVER NORTH	RIVER SOUTH	CAPITOL TO RIVER
VISION	Eclectic Arts District Funky Spaces Unique Public Art	Destination Park Space Family-Friendly River Connections	Entertainment District Active Nightlife River Views	Residential Corridor Corner Retail Views of the Capitol
TARGET MARKET	Visitors Tourists Artists	Young Adults Young Professionals Visitors Tourists Business Travelers	Young Adults Young Professionals Visitors Tourists Business Travelers	Young Professionals
PRODUCT TYPES	Rehabbed Retail Space Upper Floor Apartments	Open Space Art Experiences	New Commercial Upscale Apartments Entertainment Uses	Upscale Apartments Limited 1st Floor Retail
PEAK ACTIVITY HOURS	Weekends Evenings	Weekends Daytime	Weekends Evenings	Weekends Evenings



CAPITOL DISTRICT	KANSAS AVENUE	OFFICE & CATALYST	WAREHOUSE & INNOVATION DISTRICT	TOWER DISTRICT
Government-Focused Office Space	Historic Mixed-Use Active Street Life Outdoor Dining	Employment Center Growing Industries	Entrepreneurial Hub Urban Living	Urban Village Neighborhood
Conventional Office Government-Related	Young Professionals Downtown Workers Business Travelers Tourists	Conventional Office Business Law Finance	Young Professionals Creative Office Computers Design Marketing	Mid-Career Empty Nesters
Rehabbed Office New Office	Rehabbed Retail Space Upper Floor Apartments	Rehabbed Office New Office	Co-Working Rehabbed Industrial Apartment Lofts	New Residential Townhomes Duplexes
Weekdays Daytime	Daytime Evening	Weekdays Daytime	Weekdays Daytime	Weekends Daytime

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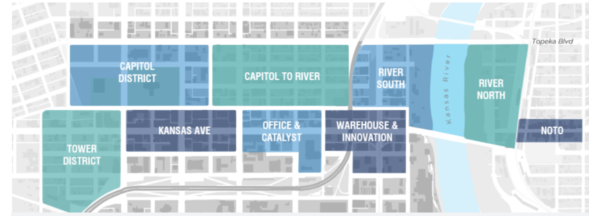
SUMMARY OF CORE INITIATIVES

		
INITIATIVE	**1 Develop the Product**	**2 Establish the Districts**
STRATEGY	Identify who is being targeted, what types of products have market support, and where they should go	Break up large areas by creating well-defined districts that offer different characters
IMPLEMENTATION	**Housing** Support for 850-950 new or rehabbed housing units which includes rental apartments and rental/for-sale townhomes. **Retail** Support for a total of 690,000 square feet of retail which will primarily consist of upgrading of existing space in established districts. **Hospitality** Demand for 150-250 new hotel rooms in the downtown study area, likely to be located on Kansas Avenue or along the south riverfront. **Office** Demand for 250,000 to 350,000 square feet of new or rehabbed office space for creative/start-ups and conventional office users.	**Kansas Avenue**—Historic mixed-use destination **Office & Catalyst**—Future employment center **Warehouse & Innovation**—Gritty transitional district **Capitol**—Government-focused space **Capitol to River**—Residential corridor **Tower**—Lower-density residential village **River South**—Exciting entertainment district **River North**—Destination park space **NOTO**—Eclectic arts district
KEY PLAYERS	Downtown Topeka, Inc. Property Owners & Developers Business Owners & Entrepreneurs City of Topeka State of Kansas Financial Institutions Greater Topeka Partnership NOTO Arts District GoTopeka	City of Topeka Planning Downtown Topeka, Inc. NOTO Arts District State of Kansas U.S. Army Corps of Engineers Heartland Visioning

3 Align the Incentives

Determine what products have feasibility gaps and which incentives are needed

- Development feasibility includes factors such as: rent/revenue, construction costs, land, lending /risk assumption, parking, density/ zoning, mix of uses, environmental remediation, taxation/subsidy, and infrastructure.
- All new residential construction was shown to have feasibility issues and will require incentives to varying degrees, depending on the details of the project.
- A small amount of ground floor retail did not significantly affect the bottom line, but inclusion of structured parking will make it very challenging to complete projects.
- The City can intervene with incentives and policies (such as reduced parking requirements in proximity to existing parking garages).

City of Topeka
Downtown Topeka, Inc.
Greater Topeka Partnership
State of Kansas
U.S. Government
Property Owners & Developers
Financial Institutions

4 Partner with the City

Encourage updates to city codes and policies, and investment in the public realm

- Identify desired tools & create districts
- Publicize available incentives
- Create guidelines that bind incentives to desired uses, development design and quality, inclusion of public space, and other aspects not covered in the zoning code
- Create design guidelines for new construction and redevelopment
- Audit the zoning code to identify problematic regulations
- Look for opportunities to streamline development approval process
- Create pedestrian & bicycle-friendly streetscapes
- Include trees, landscaping, public art, and street furniture

City of Topeka
Downtown Topeka, Inc.
NOTO Arts District
Property Owners & Developers
Downtown Employers

5 Bank the Land

Assemble land to create usable sites and facilitate large-scale redevelopment projects

- Consider organizational models such as those used in Cincinnati with 3DCD
- Focus on land banking abandoned, vacant, dilapidated and problem properties
- Think of surface parking lots as an opportunity for development
- Work with the State of Kansas to gain control of underutilized properties

Downtown Topeka, Inc.
City of Topeka
Development Community
Financial Institutions
State of Kansas
New CDC or Similar Implementation Entity

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SUMMARY OF CORE INITIATIVES

INITIATIVE	6 Leverage the River	7 Identify the Anchors & Amenities
STRATEGY	Maximize the value of the river with park space and high quality development	Broaden concept of anchors and incorporate into each district
IMPLEMENTATION	› Complete Pappan's Ferry Park in North Riverfront › Use indoor and outdoor art installations to link NOTO to the river › Bring recreation to the river—boating & zip lines › Create and enhance greenway trails, make a regional system › Determine river strategy: wide for recreation, or narrow for more park space › Determine river edge product—big anchor or high-end housing	› Traditional big anchors—athletic facilities, arenas, and conference centers can help kick-start redevelopment of area › High-quality open space—can become a signature place in a district and a gathering place for the community › Unique public art—sets the tone, draws visitors and generates free social media publicity › Key businesses—a business such as a grocery store is a true amenity that can bolster residential growth while benefiting from downtown workers
KEY PLAYERS	Downtown Topeka, Inc. City of Topeka U.S. Army Corps of Engineers Shawnee County Parks & Recreation NOTO Arts District Development Community Financial Institutions	Downtown Topeka, Inc. Business Owners & Entrepreneurs City of Topeka NOTO Arts District TPAC, & Arts Community GoTopeka Development Community State of Kansas

8 Create the Catalysts

Partnerships will be needed to make the most important projects happen

- Opportunities should include historic rehab and new construction
- Key sites for consideration: post office, police department, north riverfront, and large underutilized parking lots on Kansas and Van Buren
- Concentrate efforts

Downtown Topeka, Inc.
Development Community
Financial Institutions
City of Topeka
State of Kansas
Philanthropic Community

9 Make Connections

Linking people and districts increases prosperity

- Enable easy connections across the river
- Choose an east/west street to make a compelling connection between Kansas Avenue & Van Buren Street
- Use Van Buren Street to connect the capitol to the River
- Embrace alternate modes of transportation—biking, walking, scooters, public transit, boating

City of Topeka
Topeka Metro
Downtown Topeka, Inc.
Philanthropic Community
State of Kansas
U.S. DOT
U.S. Army Corps of Engineers
NOTO Arts District
Shawnee County Parks & Recreation

10 Mind the Edges

Downtown efforts are broadly supported when they include their neighbors

- Provide support to adjacent neighborhoods, many of which are lower-income, and connect them to downtown amenities
- Develop a strategy for distressed housing stock—housing stabilization and/or new construction
- Fill gaps in market support for needed services, such as grocery
- Repurpose industrial infrastructure to create unique art and amenities

City of Topeka
Neighborhood Groups
Non-Profit Providers & Philanthropic Community
Heartland Visioning
Downtown Topeka, Inc.
Hospital System
Development Community
Financial Institutions
Business Community

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AND THE
CHILDREN
SHALL LEAD
WE ARE ONE
SUMNER SCHOOL
LOVE UNITY HARMONY PEACE
NEW DAY
WE
TOPEKA
Brown v. Board of Education.
347 U.S. 483 (1954)
Volume Page Year
7089
Scan Me
#BVBMURAL
SWEEP THE PORCH
GOODNESS
make your life poorly-suited for anything but love
and when hate knocks act like you've Moved!
Welcome
MEXICO
Art

APPENDIX

FEASIBILITY TESTING OVERVIEW

Realizing the physical manifestation of market demand in Downtown and NOTO is a long-term proposition. There is, however, a need to focus on early catalyst projects that can seize on near-term market opportunities and set a new standard for future development. This is where economic feasibility testing can be most valuable in showing what it will take to make market-rate development happen.

A critical component to a development plan is proper vetting through a number of criteria, including site capacity, market analysis, economic viability, and political support. The vetting of potential projects through these different lenses is often referred to as feasibility testing, as in:

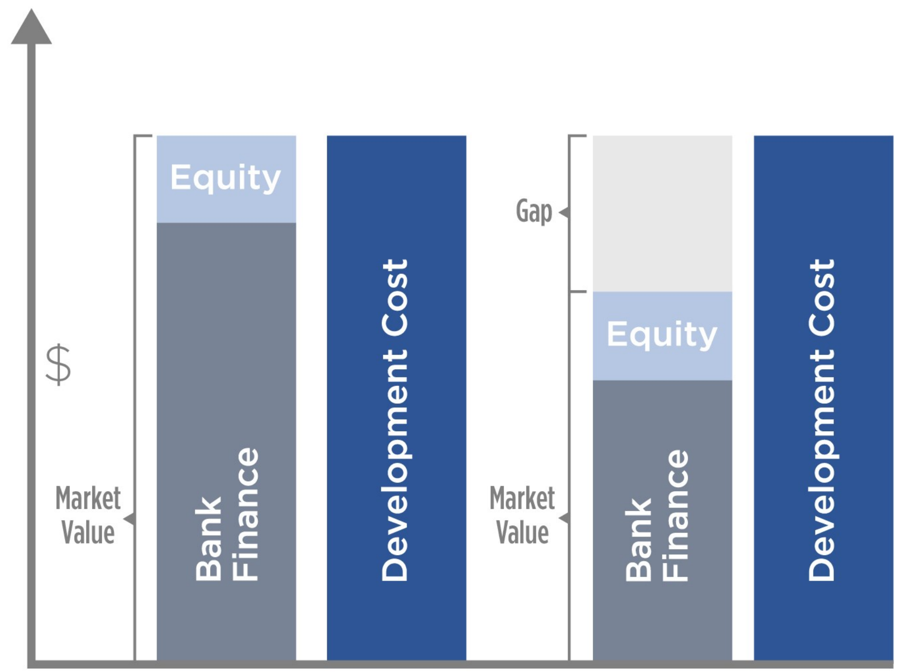
- **Site Feasibility:** Tests how much development product (typically expressed in housing units or commercial square footage) can be reasonably fit onto a site
- **Market Feasibility:** Determines the likely revenues (expressed in rents, lease rates, and sale prices) and depth of demand that exist for different development products
- **Economic Feasibility:** Compares revenues (typically in the form of rents or sale prices) with construction and operation costs, to determine whether a project is economically viable
- **Political Feasibility:** Assesses whether a project is not only legally permissible, but also gauges level of public support or opposition

The Capitol to River district, and specifically the Van Buren corridor was identified as an appropriate location for new market-rate multifamily and mixed-use construction. As an example, the State of Kansas-owned parking lot at the northwest corner of 7th Street and Van Buren Avenue was selected for feasibility testing. This is done to understand what it would take to make a catalytic development happen in this district; however, significant work would need to be done to determine if the State would sell or lease the land and relocate the parking that the lot provides. Nonetheless, a mixed-use development at this location would begin to change the character of the corridor, beginning the process of connecting the Capitol to the river.

Testing political feasibility is outside the scope of this study.

Economic feasibility

Economic, or financial, feasibility analysis evaluates and tests the financial viability of potential development products by determining their prospective development value and weighing it against their development (i.e., construction, acquisition, etc.) and operational. Where development value is equal to or exceeds development costs, a project is likely to be viable and attractive to private investment. Where development value is less than development cost, a financial "gap" will exist and public or institutional funds will be needed to make a project feasible.



FEASIBILITY TESTING: STATE PARKING LOT

Three residential development concepts were analyzed at two scales: four-story with surface parking and a more dense version with six stores, more units, and structured parking. All development scenarios would require gap financing or subsidies; however, those with surface parking have a relatively small gap that makes them conceivably feasible.

Three development scenarios are summarized in the graphics on the following pages: 100 percent residential development at two densities; mixed-use residential properties and two densities with 6,000 square feet of ground-level retail; and, a final scenario with the same buildings as the second one that assumes a long-term ground lease that than site acquisition.

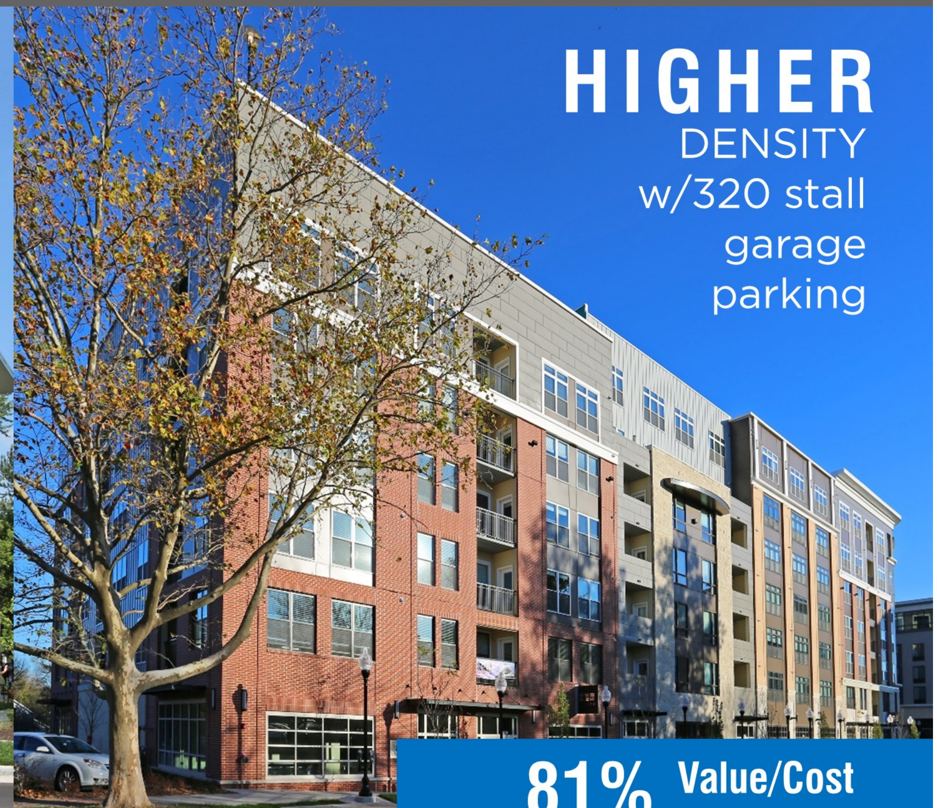
Scenario 1
The first scenario compares the feasibility of a four-story medium-density multifamily building with 180 units to a high-density six-story product with 300 units. The latter would require structured parking to accommodate parking demands on the example site. The latter option typically garners higher rents; however, the cost of adding structured parking significantly impacts economic feasibility.

Scenario 2
The second scenario adds 6,000 square feet of ground-floor retail to the mix to support neighborhood retail uses discussed in the market strategy. Adding retail has minimal impact on project feasibility.

Scenario 3
Scenario Three assumes that the State would not sell the underlying site, but would consider a long-term ground lease. A developer would not have to purchase the site, but would have an annual lease payment to the state and what is assumed to be a market rate. This assumption was applied to the same building products as Scenario 2—multifamily with ground level retail, and the feasibility of both the medium-density and higher-density/ structured parking options increased. Therefore, a long-term land lease with the state is worth exploring to help fill the feasibility gap of new construction in Downtown Topeka.


STATE
PARKING LOT
$740K
Assumed
Acquisition
Price
2.84
Acres
SW HARRISON ST
SW VAN BUREN ST
SW 7th ST
SW 6th AVE

SCENARIO 1: MULTIFAMILY



94% Value/Cost

$21.7 M	**Development Value**
$23.0 M	**Development Costs**
$1.3 M	**Deficit**

Medium		Higher
780 SF	Avg. Unit Size	780 SF
180	Total Units	300
180 (1.00)	Parking Spaces (Ratio by Unit)	320 (1.07)
$1.41	Average Rent/SF	$1.50
$143	Total Development Costs/SF	$183

81% Value/Cost

$40.3 M	**Development Value**
$50.0 M	**Development Costs**
$9.7 M	**Deficit**

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SCENARIO 2: MULTIFAMILY WITH GROUND LEVEL RETAIL

MEDIUM DENSITY w/surface parking

93% Value/Cost

$21.7 M	**Development Value**
$23.3 M	**Development Costs**
$1.7 M	**Deficit**

HIGHER DENSITY w/garage parking

84% Value/Cost

$42.3 M	**Development Value**
$50.5 M	**Development Costs**
$8.2 M	**Deficit**

Medium		Higher
780 SF	Avg. Unit Size	780 SF
180	Total Units	300
180 (1.00)	Parking Spaces (Ratio by Unit)	320 (1.07)
$1.41	Average Rent/SF	$1.50
$143	Total Development Costs/SF	$186

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SCENARIO 3: MULTIFAMILY WITH GROUND LEVEL RETAIL/LAND LEASE

97% Value/Cost

$22.3 M **Development Value**

$23.0 M **Development Costs**

$0.7 M **Deficit**

Medium		Higher
780 SF	Avg. Unit Size	780 SF
180	Total Units	300
180 (1.00)	Parking Spaces (Ratio by Unit)	320 (1.07)
$1.41	Average Rent/SF	$1.50
$137	Total Development Costs/SF	$182

85% Value/Cost

$42.5 M **Development Value**

$50.2 M **Development Costs**

$7.7 M **Deficit**

DRAFT

DEVELOPMENT SUMMARY

Development Products for Downtown Topeka—Summary Matrix

PRODUCT TYPE	BR	AVG. UNIT SIZE (SF)	PRICE OR RENT	AVG. PRICE OR RENT PER SF	DEMAND POOL	LOCATIONS / DISTRICTS	TARGET MARKET
REHABBED APARTMENTS	Studio	550	$750	$1.35	Deep 300 units	Kansas Avenue Warehouse & Innovation	Young Professionals Couples Roommates
	1	750	$950	$1.25			
	2	1,100	$1,200	$1.10			
NEW CONSTRUCTION	1	700	$1,025	$1.45	Moderate 200 Units	Capitol to River River South Tower District	Young Professionals Couples Roommates Mid-career Professionals
	2	1,000	$1,300	$1.30			
	3	1,250	$1,450	$1.15			
AFFORDABLE	1	750	$625	$0.85	Very Deep	Site Dependent	Families Seniors
	2	1,000	$750	$0.75			
	3	1,300	$875	$0.60			
TOWNHOMES	2	1,800	$250,000	$140	Limited 125 Units	Tower District Capitol to River	Empty Nesters Mid-career Professionals Young Families
	3	2,400	$325,000	$135			
REHABBED CONDOS	2	1,200	$225,000	$190	Limited 125 Units	Kansas Avenue Warehouse & Innovation	Mid-career Professionals Young Families Empty Nesters
	3	1,500	$275,000	$185			