

Retail-Commercial Market

INTRODUCTION

This economic market study of business development demand, by sector, quantifies local and regional market absorption rates and demand for commercial growth in general for Tonganoxie, and for the downtown as a niche local market sector. The study documents reasonable expectations for local retail-commercial market demand by business sector, both citywide and in the downtown. The data and recommendations—expressed as numbers of businesses to be absorbed over near-term and long-term time frames—helps the plan come to realistic (and strategic) planning expectations.

The purpose of this assessment is to project the demand for new retail-commercial development in Tonganoxie through 2020 and 2030. This assessment is presented in three parts:

- a) Retail Market Description
- b) Projected Retail Demand
- c) Target Areas and Target Retail Prospects

To project the amount of acreage that should be planned to enable the expansion to Tonganoxie's retail base, an analysis of the local retail pull factor for each major retail sales category has been evaluated. The retail pull factor provides a precise measure of sales activity in a locality. A pull factor of above 1.00 indicates that a community is attracting business, while one that is below 1.00 indicates that the community is losing businesses to other retail markets.



Chapter 2 Retail-Commercial Market

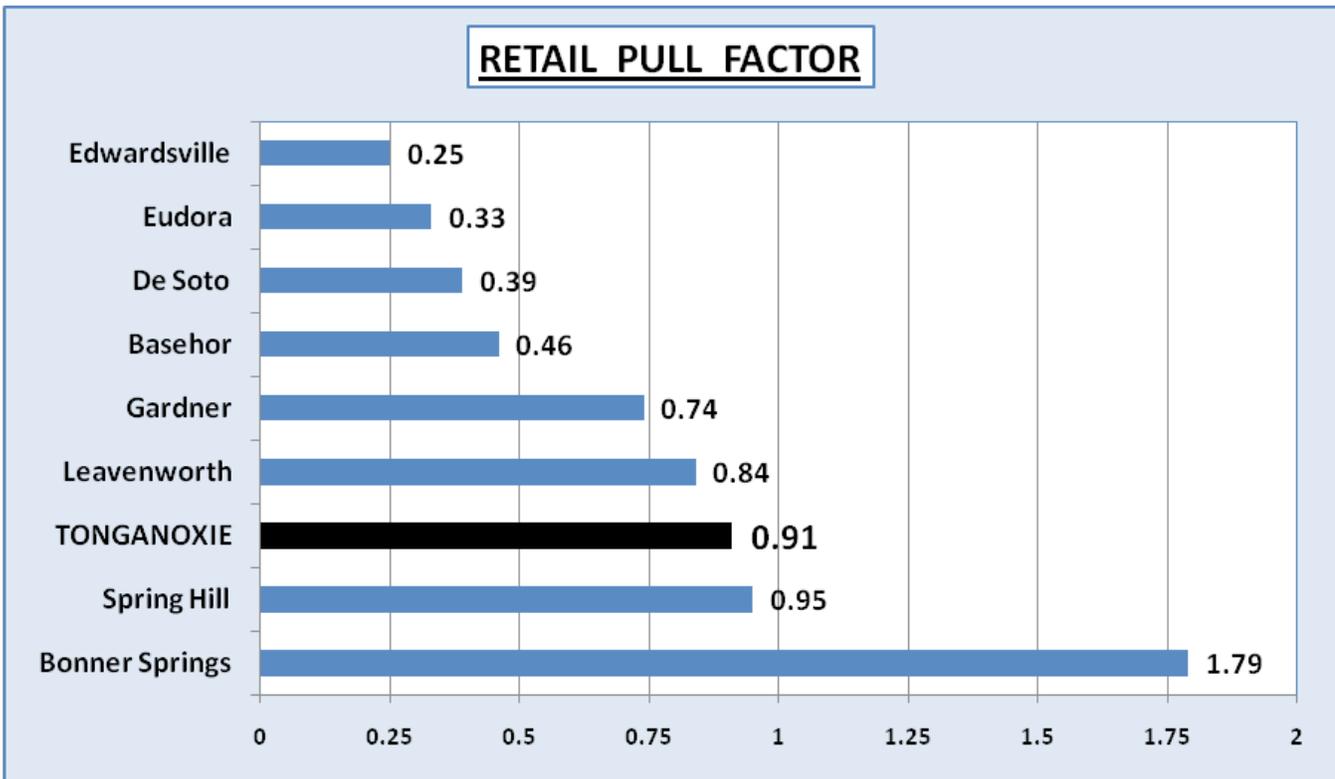
A. Retail Market Description

- Tonganoxie has a higher retail pull factor than many other comparable sized smaller cities in the region, as well as higher than Leavenworth and Wyandotte Counties.
- Leavenworth County and Wyandotte County's 2006 retail pull factors have been gradually increasing over the past since 2000 from 0.51 to 0.60 for Leavenworth County and from 0.75 to 0.90 for Wyandotte County.
- Tonganoxie's higher pull factor is influenced, in part, by over 4,200 residents within ZIP Code 66086, the city's primary retail-commercial trade area, but living outside of the city limits – contributing to the city's retail-commercial activity and pull factor.

Tonganoxie's retail sales by 11 major sales tax reporting categories compare Tonganoxie to statewide per capita sales figures. This analysis reveals sales leakage and the type of retail-commercial business opportunities in Tonganoxie.

- Tonganoxie experiences sales injections in food and beverage (grocery stores), building materials and garden supplies and furniture and home furnishings. These strengths reflect the increase new households and new residential development in the primary market area.
- To expand Tonganoxie's retail-commercial base and increase sales, Tonganoxie should focus its efforts on those sales categories where the community is experiencing the most sales leakage. (See Graph 2 – "Tonganoxie Pull Factor by Retail Sales Categories")

Graph 1 – Area Cities Retail Pull Factors



Source: Kansas Department of Revenue

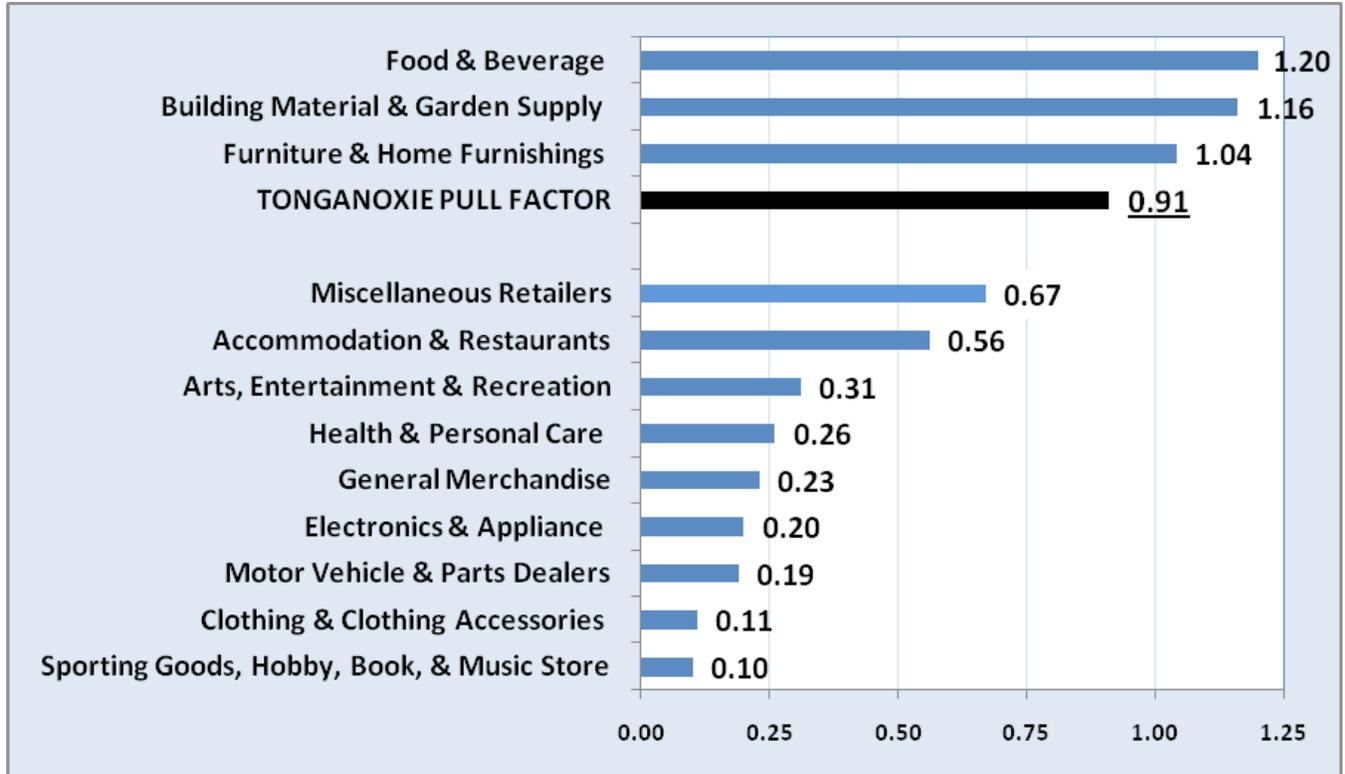
Chapter 2 Retail-Commercial Market

- However, Tonganoxie will not be able to compete for high priced products (new automobiles, large home furnishings, major appliances, etc.) due to the large product selection offered in western Wyandotte County.
- Therefore, beyond serving the primary market area with community-oriented retail businesses, **Tonganoxie should also build on its strengths, as a niche for locally-owned restaurants, arts, entertainment and recreation attractions, to grow the city’s retail-commercial base.**



Annie's Country Jubilee is a locally-owned niche entertainment venue that draws visitors from throughout the region.

Graph 2 – Tonganoxie Pull Factor By Retail Sales Categories



Source: Kansas Department of Revenue; City of Tonganoxie City Clerk's Office; Richard Caplan & Associates.

Chapter 2 Retail-Commercial Market

B. Projected Retail-Commercial Demand

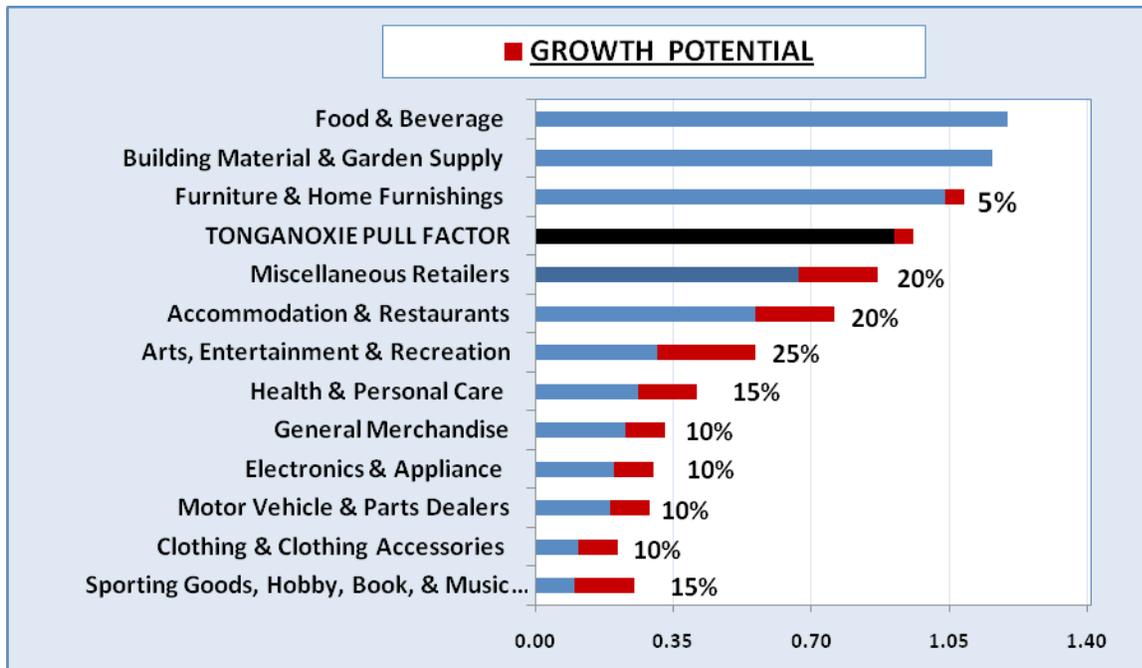
With marketing, new residential and commercial construction and upon opening of the new Kansas Turnpike interchange, it may be possible to increase the city's retail capture rate by 5 percent to an average pull factor of 0.96. This potential increase will also be dependent upon the city successfully accommodating expansion of existing and attracting new retail-commercial establishments.

An assessment of this sales potential in Tonganoxie by major merchandise category is presented in Graph 3 "Projected Growth by Retail Sales Categories". Miscellaneous retail-commercial stores include those businesses not easily placed in other categories such as tanning salons, antique dealers, bicycle shops, jewelry stores, florists, fabric shops, opticians, etc.

Tonganoxie has the potential to increase its annual retail sales by as much as \$14 million over the next decade and \$23 million in annual growth by 2030. Increased retail sales and demand will be driven by population growth, employment growth and increased number of businesses that will capture of existing sales leakage. More specifically, realizing this retail-commercial potential also assumes that:

- The city and trade area population, employment and housing growth will continue;
- The city's population will reach at least 7,250 residents by 2020 and approximately 9,200 residents by 2030;
- The new I-70 Interchange will enhance the city's ability to attract more Leavenworth shoppers; and
- Tonganoxie will strengthen community marketing efforts and accommodate new commercial construction and building renovation where needed.

Graph 3 – Projected Growth by Retail Sales Categories



Chapter 2 Retail-Commercial Market

Summary of Tonganoxie Retail Sales Potential

Sales Category	Capture of 2008 Retail Sales Leakage	Plus New Residents 2020 (Est. population: 7,250)	Plus New Residents 2030 (Est. population: 9,200+)
Motor Vehicle and Parts Dealers	\$409,429	\$768,444	\$1,360,957
Furniture and Home Furnishings Stores	\$71,341	\$878,661	\$1,556,158
Electronics and Appliance Stores	\$98,971	\$118,508	\$209,885
Building Material and Garden Supply Stores	\$0	\$2,025,787	\$3,587,782
Food and Beverage Stores	\$0	\$2,488,985	\$4,408,131
Health and Personal Care Stores	\$77,025	\$78,477	\$138,986
Gasoline Stations	N / A	\$634,563	\$1,123,847
Clothing and Clothing Accessories Stores	\$149,633	\$94,569	\$167,487
Sporting Goods, Hobby, Book, & Music Stores	\$156,193	\$62,751	\$111,135
General Merchandise Stores	\$834,888	\$1,137,039	\$2,013,759
Miscellaneous Retail Stores	\$268,911	\$701,784	\$1,242,899
Arts, Entertainment & Recreation	\$146,127	\$141,166	\$250,013
Accommodation and Food Services	\$1,038,578	\$2,023,660	\$3,584,015
Captured Leakage <u>New Sales/Year</u> TOTAL	\$3,251,097	\$3,251,097 \$11,154,395 \$14,405,492	\$3,251,097 \$19,755,056 \$23,006,153
Est. Square Feet Required to Satisfy New Demand; Sales leakage; Vacancy allowance	22,500 – 27,500 square feet	120,000 – 150,000 square feet	220,000 – 250,000 square feet

- Based on market area retail-commercial industry average sales per square foot and adjustments for local household income and

Chapter 2 Retail-Commercial Market

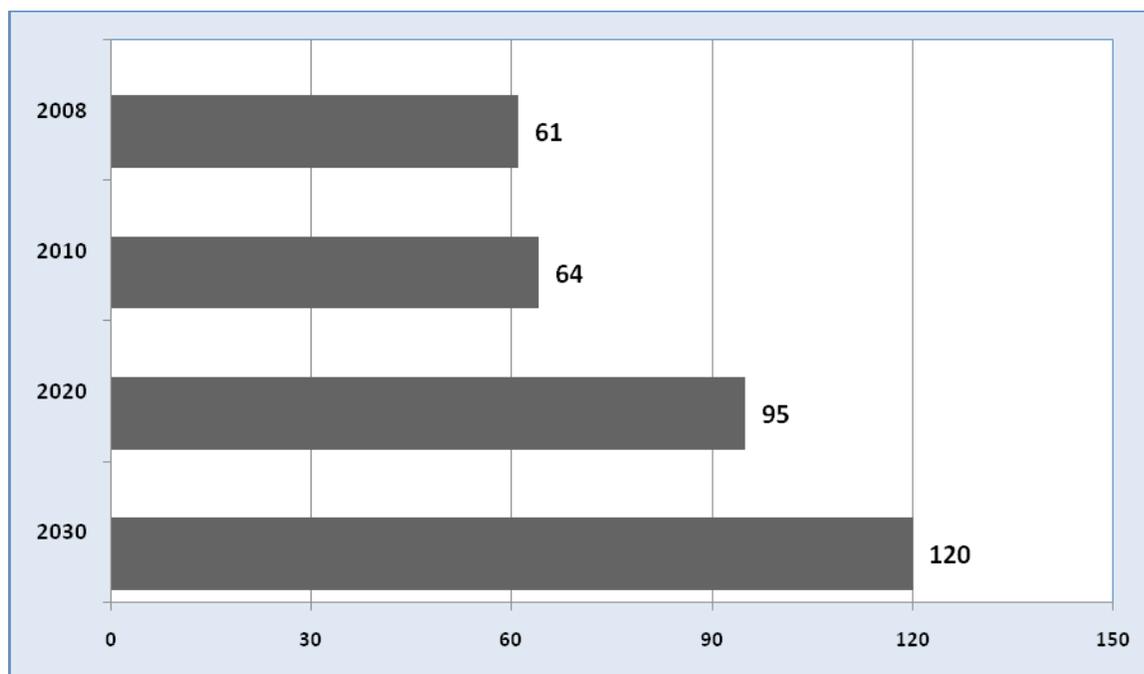
market conditions, it is estimated that there is a potential demand for Tonganoxie to reasonably support 30 to 35 additional retail establishments by 2020 and as many as 60 retail businesses by 2030. (See Graph 4 – “Total Tonganoxie Retail Establishments 2008 – 2030”)

- The projected number of new retail businesses reflects averages for each business category but is dependent on the type of business, store size

and configuration and nature of establishment ownership (i.e. local, regional or national).

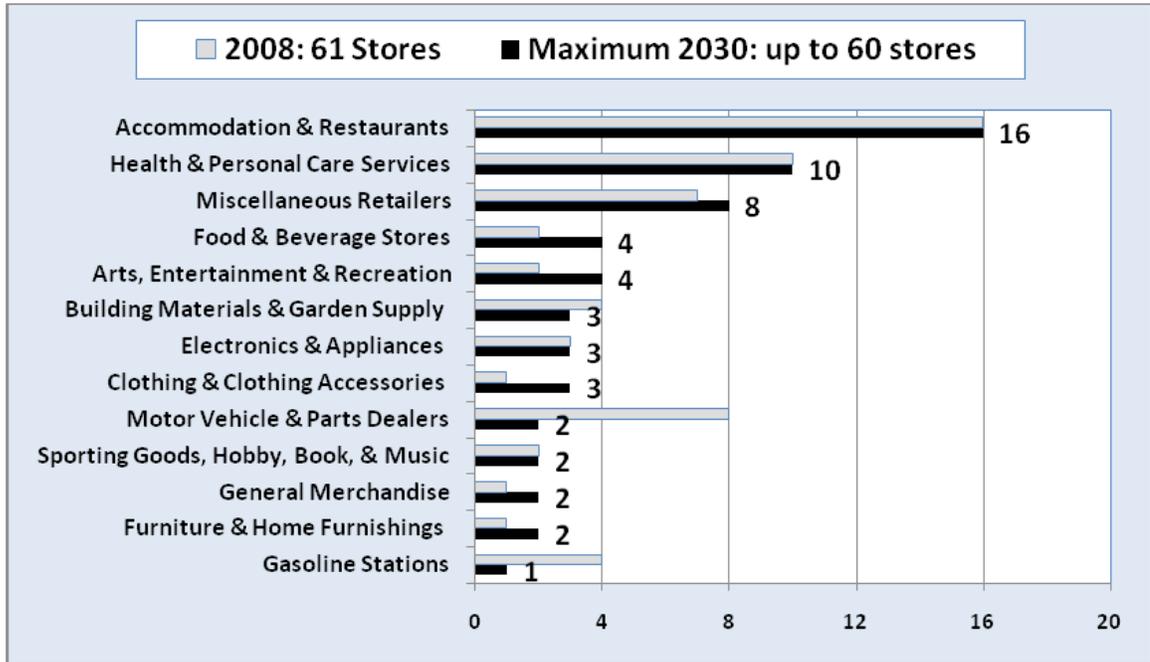
- The increase in the Tonganoxie businesses and square footage has been estimated as summarized Graph 5 – “Existing and Projected Additional Retail Establishments”. This estimate is also dependent, in part, on the ability and willingness of existing retail-commercial business owners to expand.

Graph 4 – Total Tonganoxie Retail Establishments 2008 - 2030



Graph 5 – Existing and Projected New Retail Establishments by Use 2030

Chapter 2 Retail-Commercial Market



C. Target Areas and Target Retail Prospects

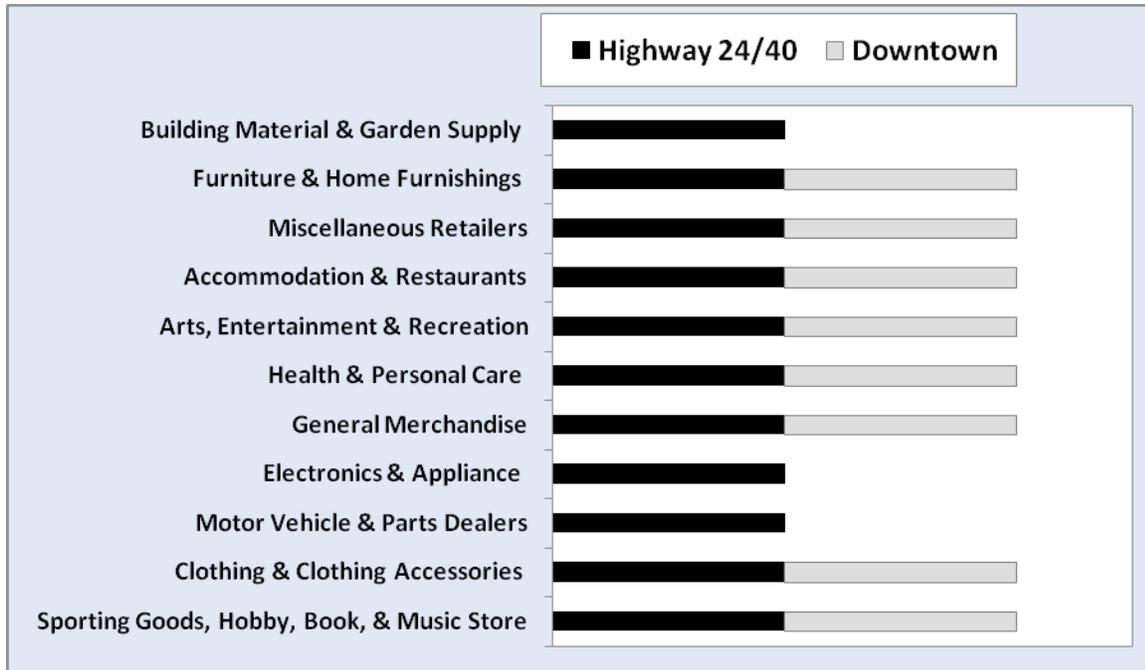
- The location of this additional retail-commercial space and business will be influenced by public policies that support downtown renovation, enable building expansion and provide adequate parking in Downtown Tonganoxie carried out in cooperation with private sectors partners.
- Larger retail-commercial users requiring higher amounts of parking ought to be targeted for the Highway 24/40 corridor.
- Graph 6 “Target Area of Tonganoxie for New Retail by Category” presents the area of the city most suitable for the targeted retail-commercial establishments.



Successful retail-commercial downtown and citywide is a function of more than just numbers—it also has to do with good urban design and development standards, such as awnings.

Chapter 2 Retail-Commercial Market

Graph 6 – Target Areas of Tonganoxie for New Retail by Category



There is no single approach to satisfying Tonganoxie’s projected retail demand. In fact, there is a combination of four strategies to expand Tonganoxie’s retail-commercial market. The four types of retail ownership / expansion / recruitment approaches include the following:

1. New Home Grown Business – This involves support to existing residents to open a new retail-commercial business. This effort can and should be nurtured with the cooperation of the Tonganoxie Chamber of Commerce and the Leavenworth County EDC. Related advisory assistance is also available through the Kansas Small Business Development Center in Lawrence (www.kusbdc.net).
2. Existing Business Expansion – There are successful local retail-commercial businesses that may be able to or should be encouraged to expand within Tonganoxie. (At least two local businesses are actively doing so.) These business owners have the advantage of an

existing clientele and knowledge of local market conditions.

3. Recruit Leavenworth and/or Douglas County-based Business – Lawrence and Leavenworth have stable retail-commercial environments with a wide array of locally owned businesses. Some of these businesses may be excellent prospects for opening a second or third location in Tonganoxie. Tonganoxie is an easier “sell” to persons who already have some familiarity with Tonganoxie as opposed to “cold call” recruiting potential national retailers.
4. Recruit Regional and National Chains – Regional and national chains are routinely looking for thriving and growing small communities like Tonganoxie. Given the community’s projected population growth, this opportunity will increase in the future, especially if retail-commercial demand is not satisfied by local merchants.

Chapter 2 Retail-Commercial Market



The 22 retail prospect lists on the following page includes a combination of Leavenworth and Douglas County businesses. It also includes regional and national retail-commercial businesses that have expressed an interest in expanding in non-urban settings in Kansas communities. The regional and national companies listed represent those in the 2007 Edition of the Retail Tenants Directory published annually by one of the major national sources of retail industry data, Trade Dimensions.

In addition to this listing, Tonganoxie area residents should be encouraged about the possibilities of opening a new retail-commercial business. Education about opening local businesses can be accomplished, in part, through forums offered by the Chamber of Commerce and using the local newspaper to promote the technical resources available to start a business offered through the Kansas Small Business Development Center in Lawrence. ■

Chapter 2 Retail-Commercial Market

List of Tonganoxie Retail Target Prospects

Retail Sales Category	Business Name	Address	City	State	ZIP Code	Phone
Miscellaneous Retailers	Lloyds of Leavenworth Jewelry	900 5 th Avenue	Leavenworth	KS	66048	913.682.7936
Clothing	Saffee's	227 East High Street	Jefferson City	MO	65101	
	The Buckle	2407 West 24 th Street	Kearney	NE	68845	308.236.8491
Motor Vehicle Parts	Auto Zone	123 South Front Street	Memphis	TN	38103	901.495.6500
	Car Quest	2635 E. Millbrook Rd.	Raleigh	NC	27604	919.573.3000
	O'Reilly	2335 Patterson	Springfield	MO	65802	
Music Store	Winmark Corp.	4200 Dahlberg Drive, Suite 100	Minneapolis	MN	55422	763.520.8500
Health and Personal Care	Sally Beauty Co.	3001 Colorado Blvd.	Denton	TX	65101	573.636.4512
	GNC Corp.	300 Sixth Avenue	Pittsburg	PA	15222	412.288.4600
Restaurants	McDonald's	1313 W. 6 th Street	Lawrence	KS	66044	785.832.1414
	Heartland Chicken (dba Popeye's)	1100 W. Cambridge Circle	Kansas City	KS	66103	913.713.4440
	El Mezcal	1819 W. 23 rd Street	Lawrence	KS	66046	785.832.8775
	Pizza Hut	9112 Glenwood Street	Overland Park	KS	66212	913.649.0000
	Eggbert's	812 West 11 th Street	Coffeyville	KS	67337	620.251.7720
	Steak N Shake	30 South Pennsylvania St.	Indianapolis	IN	46204	317.633.4100
	Quick's BBQ	709 Cheyenne Avenue	Kansas City	KS	66105	913.371.1599
Sporting Goods	Jock's Nitch	523 North Broadway	Pittsburg	KS	66762	620.231.3552
Home Furnishings and Imp.	Diamond Paint	PO Box 80	Orange City	IA	51041	712.737.8880
	Iowa Paint	PO Box 1417	Des Moines	IA	50305	515.283.1501
Recreation	Royal Crest Lanes	9 th & Iowa	Lawrence	KS	66044	785.842.1234
	Santa Fe Trail Bicycles	419 Delaware	Leavenworth	KS	66048	913.682.2444

Source: 2007 Retail Tenants Directory; RICHARD CAPLAN & ASSOCIATES