

**MARKET STUDY OF REDEVELOPMENT OPPORTUNITIES
OLD TOWN STUDY AREA MASTER PLAN
LEE'S SUMMIT, MISSOURI**

May 2003

CANYON RESEARCH SOUTHWEST, INC.

COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

MARKET STUDY OF REDEVELOPMENT OPPORTUNITIES OLD TOWN STUDY AREA MASTER PLAN LEE'S SUMMIT, MISSOURI

May 2003

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CANYON RESEARCH SOUTHWEST, INC.

COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

May 30, 2003

Cales Givens
EDAW Inc.
1809 Blake Street, Suite 200
Denver, CO 80202

RE: Market Study – Old Town Master Plan
Lee’s Summit, Missouri

Dear Cales:

Per our agreement, attached are the Market Study findings identifying commercial and residential development opportunities within the Old Town Study Area of Lee’s Summit, Missouri. Potential land uses evaluated included residential, retail, office and hotel. Based on the study findings, the following conclusions and recommendations have been drawn:

- Old Town Study Area’s most suitable market positioning and what could be done to enhance its marketability;
- Quantify the supportable inventory of new commercial space and residential dwelling units in the Old Town Study Area through 2020; and
- Identify potential short- and long-term redevelopment opportunities for the Old Town Study Area, as well as specific redevelopment sites.

Upon review of the report, should any questions arise or additional information requested, contact me directly at (480) 966-0994.

Respectfully submitted,

CANYON RESEARCH SOUTHWEST, INC.

Eric S. Lander, Principal

ESL:dld

Enclosure

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EXECUTIVE SUMMARY

The City of Lee's Summit, Missouri has contracted with EDAW Inc. to prepare a *Master Plan* for the Old Town section of the city, consisting of both the "Downtown Core" and surrounding neighborhoods bound by Chipman Road, U.S. 50 and Missouri Highway 291. As a team member with EDAW Inc., Canyon Research Southwest, Inc. has prepared a Market Study designed to quantify the demand for various types of real estate in the Old Town Study Area. This "Executive Summary" outlines the report's major findings and recommendations.

Lee's Summit Economic Environment

Lee's Summit is the fastest growing community on the Missouri side of the metropolitan Kansas City area. The resident population base has increased from 28,856 in 1980 to 77,437 by July 1, 2002. Population growth is forecast to continue, reaching 93,000 by 2010 and 116,000 by 2020.

The Lee's Summit employment base of nearly 27,000 jobs is lead by the services (41%); construction (16%); manufacturing (9%) and FIRE (9%) sectors. By 2020, Eastern Jackson County is forecast to add 11,900 new jobs, with a shift away from industrial-related employment towards more office-related employment.

From 1995 to 2002 a reported 8,171 residential dwelling units were permitted for construction in Lee's Summit, with the single family housing sector accounted for 83 percent of all residential construction. During this same period over 6.1 million square feet of commercial space was permitted for construction.

Lee's Summit's high quality of life has attracted a young, educated and affluent population. The real estate sector has benefited from the city's economic expansion, posting accelerated residential, commercial and industrial construction activity. Lee's Summit is forecast to remain an urban growth leader which will create continued opportunities for residential, commercial and industrial development.

Marketability of Retail Development

Since 1995 over 3.1 million square feet of retail space (includes freestanding, strip and anchored centers) has been constructed in Lee's Summit. Despite this construction boom, over the past four years the overall vacancy rate has remained well below 6.0 percent. Retail sales in Lee's Summit increased from \$648 million in 1998 to \$838 million for 2002, resulting from new development and increasing population and high income levels.

Prior to the recent construction boom Lee's Summit was considered under retail, suffering from considerable retail leakage due primarily to a shortage of retail space and a narrow tenant mix. Retail leakage can be best illustrated through a comparison of per capita retail sales levels and supportable retail space. In 1998, Lee's Summit's per capita sales rate of \$9,672 lagged behind the metro average of \$10,675 and the 18 square feet of occupied retail space compared to the metro average of 23 square feet per capita. The recent construction boom has closed the gaps considerably, yielding per capita retail sales close to the state average and per capita occupied shopping center space comparable to the Kansas City area average.

Approximately a decade ago the Downtown Core of Lee's Summit suffered from high vacancy rates, limited demand for space and low lease rates and property values. Today, the Downtown Core retail market is healthy with no vacant store fronts. A total of 110 retail businesses operate in downtown, with the mix led by restaurants, antique/gift stores, furniture/home furnishings and beauty salons/barbers. Existing retailers are independent operators. Third Street is the most prominent retail corridor, followed by Main Street and Douglas Street.

Through the year 2020, Lee's Summit's Downtown Core is forecast to absorb 70,000 to 110,000 square feet of retail building area. The principal retail format in downtown will include infill development of freestanding buildings and shop space incorporated into mixed-use projects. The premier locations for future retail development will include Second, Third, Douglas and Main Streets. Further commercial encroachment along these arterials into the adjacent residential neighborhoods is not recommended.

The balance of the Old Town Study Area is forecast to absorb 30,000 to 40,000 square feet of new retail space through 2020. The premier locations for redevelopment of existing commercial properties and construction of infill sites include the U.S. 50 interchanges at Chipman Road, 3rd Street and Jefferson Street. The existing commercial properties along Missouri Highway 291 can also support a modest inventory of infill and redevelopment activity.

Marketability of Office Development

The Kansas City speculative office market currently suffers from high vacancies, negative absorption and declining lease rates. All sub-markets are over built. The large overhang of unoccupied space and the pending completion of an additional 1.4 million square feet of space will keep market conditions soft over the next several years, limiting the opportunity to support new construction.

Over the past several years the bar has been raised in Lee's Summit with the construction of several Class "B+" buildings commanding lease rates much higher than historically supportable. However, office space in Lee's Summit doesn't yet command the high rents and building quality supported by South Johnson County, Kansas. The Lee's Summit office market is currently over built and is anticipated to remain soft for several years.

The future of Lee's Summit as a growing office location will stem from its excellent freeway access and exposure, the availability of freeway interchange building sites, ample inventory of executive housing, excellent quality of life including a highly rated school district, continued growth of high-income households (similar to South Johnson County, Kansas) and increased commute drive times into Kansas City's Central Business District.

Challenges facing Lee's Summit as a future office location include an unproven Class "A" market, current high vacancies, its peripheral location and the ability to support financially feasible development of Class "A" space.

The Downtown Core of Lee's Summit serves as a niche office market catering to small, independent firms generally ranging in size from 1,000 to 3,000 square feet. Lease rates generally range from \$12.00 to \$15.00 per square foot. New office product rents for \$16.00 to \$18.50 per square foot. While vacancies are low, the moderate lease rates will make it challenging to foster financially feasible new development.

Lee's Summit is forecast to absorb 1.4 to 1.57 million square feet of speculative and owner-occupied office space through the year 2020. During this time frame the Downtown Core is forecast to absorb 70,000 to 110,000 square feet of office space, with the balance of the Old Town Study area accounting for an additional 30,000 to 50,000 square feet.

The Downtown Core's potential as a future office location stems from its mixed-use urban setting, centralized location, and convenient access. Downtown serves as a niche market for small, locally owned businesses seeking a unique working environment. However, existing demand for speculative office space is limited. To facilitate future office development sites must be manufactured by assembling and razing existing buildings, converting existing retail or residential space or through use of under utilized properties such as surface parking lots. The greatest opportunity to facilitate future office development within the Downtown Core appears be 2nd and 3rd floor space within mixed-use projects. Office tenants don't require ground floor space, which is better suited for retailers.

Future development opportunities for additional office space also exist within the balance of the Old Town Study Area. The northwest quadrant is the most suitable development location, benefiting from the availability of building sites, excellent freeway access and visibility, and close proximity to the Summit Technology Campus. Potential redevelopment sites include the automobile dealerships on the east side of Blue Parkway south of Chipman Road as well as along U.S. Highway 50 at O'Brien Road, 3rd Street and Jefferson Street.

Marketability of Hotel Development

Throughout the first half of the 1990s the Kansas City hotel market gradually recovered from record low occupancies in the 60 to 61 percent range. By 1996 the market reached an occupancy rate of 71 percent. These improving market conditions prompted strong gains in new construction activity with the inventory of rooms increasing by 45 percent between 1995 and 2001. By 2000 over building once again produced deteriorating market conditions.

By 2001 the Kansas City lodging industry posted its worst year in a decade as occupancy rates slipped to their pre-boom 60 percent levels of the early 1990s. The weak performance produced a modest 2.9 percent increase in room supply, a 3.0 percent decline in room demand and an occupancy rate of 60.7 percent.

In 2002, the Kansas City hotel market continued to deteriorate with the occupancy rate declining further to 59.3 percent. Weaker demand resulted in declines in the average room rate of 1.1 percent to \$71.72 and revenue per available room of 3.4 percent to \$42.55. Despite weakening market conditions the room supply increased by 2.6 percent to 27,500 rooms.

The outlook for the Kansas City hotel market is one of a slow gradual recovery. During 2003, parallel increases in the growth of new supply and room demand are forecast, yielding stable occupancies and average daily rates. It may take several years before the hotel market fully recovers.

Lee's Summit is located within the Missouri Outlying Areas sub-market which consists primarily of the suburban communities of Independence, Blue Springs and Lee's Summit. These communities have experienced considerable new hotel construction along Interstates 70 and 470.

New properties consist largely of economy and mid-price hotels. This sub-market is Kansas City's most overbuilt. The overall occupancy rate has declined from 56.7 percent in 2000 to just 54.2 percent by 2002. Average daily rates are the lowest metro-wide, reported at \$50.99 during 2002. These soft operating results suggest little or no short-term opportunity exists for the feasible construction of new hotel properties.

Eight hotel properties totaling 571 rooms are currently operating in Lee's Summit, all of which are located adjacent to Interstate 470, U.S. 50 and Missouri Highway 290. The Lee's Summit hotel industry supports a narrow mix of hotel products, including one economy property and seven mid-price properties. Several chain hotels have been constructed over the past several years, gravitating along Interstate 470.

Average occupancy and revenue per available room levels are presently insufficient to support economically feasible new hotel construction within Lee's Summit. The short-term prospects for new hotel construction are also not favorable. However, as the local business community and population continue to grow, the long-term demand for additional hotel rooms will materialize. The demand for an additional 400 to 500 hotel rooms is forecast through the year 2020. The most appropriate location for future hotel development is within the Interstate 470 corridor.

Through 2020, limited hotel development is supportable in the Downtown Core, lacking a freeway location and a major hotel room demand generator such as a convention center or large employment base. Even by the year 2020 the Downtown Core's employment base will not likely be sufficient to support a major hotel chain. Lodging alternatives include a small boutique hotel or bed & breakfast, with a modest demand for 10 to 15 guest rooms forecast.

All the existing hotel properties in Lee's Summit possess a highway location. Lodging industry site selection requirements suggest future hotel development in Lee's Summit will follow historical patterns. The U.S. 50 intersections of Chipman Road, Third Street or Jefferson Street represent the most optimal hotel development sites within the balance of the Old Town Study Area, offering the necessary highway exposure and accessibility to attract a chain hotel. Through 2020, sufficient demand is forecast to support development of 50 to 80 hotel rooms.

Marketability of Residential Housing Development

During the past decade Lee's Summit has emerged as one of Jackson County's leading new housing markets. Since 1992, 12,937 residential dwelling units have been permitted for construction, led by the single family sector with 87 percent of total permitting activity.

The housing stock in Lee's Summit totals 27,392 dwelling units, with the single family sector accounting for 74.8 percent, or 20,490 dwelling units. By comparison, single family homes comprise 71.9 percent of the total metropolitan Kansas City housing stock. Townhouses comprise 6.0 percent of the housing stock in Lee's Summit, compared to 4.8 percent in the metro area. Lee's Summit is only slightly below the metro area in its share of multi-family units, consisting of 19.1 percent of the housing inventory compared to 21.2 percent in the metro area.

Since 1996, new and resale homes priced from \$101,000 to \$200,000 have accounted for nearly two-thirds of all homes sold within Lee's Summit. During this time the volume of homes priced

in excess of \$200,000 continued to escalate, accounting for one-third of all home sales. Homes priced from \$200,000 to \$300,000 reported the largest gains in sales velocity.

High land acquisition and development costs in Lee's Summit make it extremely difficult for builders to deliver starter homes. Instead, builders focus primarily on high cost housing.

From 1998 to 2001, 612 homes sold within Zip Code 64063, which encompasses the Old Town Study Area. Nearly three-quarters of the housing sold was priced from \$100,000 to \$200,000. Homes priced from \$200,000 to \$400,000 accounted for just 14.2 percent of all home sales.

Lee's Summit is forecast to absorb 13,500 owner-occupied housing units through the year 2020. Move-up and high-end housing priced over \$150,000 will account for over 72 percent of all owner-occupied housing demand. Entry level housing demand will also be strong, absorbing 1,675 housing units priced from \$70,000 to \$100,000 and 2,070 housing units priced from \$100,000 to \$150,000.

Through 2020, an additional 4,500 rental units are forecast to be absorbed in Lee's Summit. Assisted rental housing is estimated to account for 2,630 dwelling units, or 58 percent of all renter-occupied housing demand. Meanwhile, the demand for market rate rental housing is forecast to total 1,870 dwelling units.

The attraction of the Old Town Study Area as a location for new housing stems from the convenient availability of retail, entertainment, schools, places of worship, government offices, freeway corridors and employment centers. Site constraints include the presence of the railroad line and the difficulty in assembling financially feasible development sites.

The Old Town Study Area is capable of supporting a wide range of for-sale housing product targeting a spectrum of buyers ranging from young singles to empty nesters. Market rate entry-level single family homes and townhouses priced from \$125,000 to \$175,000 would target young professionals and couples. Meanwhile, empty nesters and affluent singles would be attracted to a more upscale housing product priced from \$175,000 to \$300,000. The Old Town Study Area would also be a suitable location for housing product priced under \$125,000. However, government assistance may be necessary to facilitate financially feasible development.

The most appropriate locations for single family housing within the Downtown Core are at the very fringes (i.e., Jefferson and Fifth Streets), serving as a transitional land use between the existing commercial uses and the surrounding residential neighborhoods. The opportunity for significant infill development within the balance of the Old Town Study Area also exists through use of under utilized properties (i.e., the split of a large single family lot into two lots) and vacant lots. Infill development opportunities are particularly available within the northern and eastern quadrants of the Old Town Study Area. Two notable large vacant lots include the 3.5-acre city-owned parcel at the southwest corner of Second and Independence Streets as well as the northwest and southwest corners of Main and Orchard.

Parcel size requirements and the need to assemble development sites will place considerable constraints on the ability to accommodate large-scale multi-family development within the Old Town Study Area. Instead, small, lower amenity properties may be more appropriate. Multi-family development as a component of a mixed-use project is also a viable option. Within the Downtown Core multi-family residential development is best suited within the transitional zones

and in mixed-use projects west of the rail line. Within the balance of the Old Town Study Area the automobile dealerships represent the greatest opportunity to support multi-family housing.

Due to the large and growing senior population in Lee's Summit a senior housing component should be incorporated into the *Master Plan*. The most appropriate location would be at the fringe or just outside the Downtown Core, allowing residents convenient access to the retail, government, cultural and recreational facilities. A project size of 30 to 60 dwelling units is recommended. Senior housing could be used as an ideal transitional land use between the Downtown Core and surrounding residential neighborhoods.

Study Recommendations

The "*vision*" of the Old Town Study Area is to create a mixed-use, "family-friendly" urban center offering a blend of economic, governmental, cultural, recreation and entertainment activities. The Old Town Study Area's market positioning can leverage off its historical context, presence of several "anchors" and the community's favorable demographics. The following components are recommended:

- A mix of retail businesses catering to both the basic needs of local residents (i.e., banking, hair salons, coffee shops, restaurants, etc.) and a specialized regional market (i.e., galleries, antiques, home furnishings, etc.);
- A boutique office market supporting a mix of personal service businesses such as lawyers, physicians, realtors, insurance agencies, etc. Office uses are best located at the fringes of downtown and above ground floor retail space;
- The Downtown Core should remain as the community's primary government center, housing the city hall, fire station, elementary school, school administrative offices, post office, senior center and other municipal functions;
- Increased emphasis should be placed on incorporating cultural, recreational and entertainment uses into the Old Town Study Area in an effort to attract more people and create an increased sense of place and community;
- Increasing the housing stock will be a key component in enhancing the urban environment and economic vitality of the Old Town Study Area. A mix of housing product is supportable, including senior housing, upscale rental and for-sale multi-family, medium- and high-density single family and townhouses, and entry level housing;
- Retaining the religious institutions in the Downtown Core is desirable. They serve as major public gathering places, a symbol of downtown and a transitional land use between the surrounding residential neighborhoods and downtown's commercial core; and
- Increased emphasis on redevelopment of the "gateways" into the Old Town Study Area.

Demand for commercial and residential space within the Old Town Study Area has been forecast through the year 2020 in effort to quantify the level of future development opportunities.

Forecast Commercial and Residential Demand; 2000-2020 Lee's Summit's Old Town Study Area

Land Use	Forecast Demand		
	Lee's Summit	Downtown Core	Balance of Old Town
Retail	1,780,000 SF	70,000 - 110,000 SF	30,000 - 40,000 SF
Office	1,392,000 - 1,566,000 SF	70,000 - 110,000 SF	30,000 - 50,000 SF
Hotel	400 - 500 Rooms	10 - 15 Rooms	50 - 80 Rooms
Residential	18,000 du's	300 - 450 du's	150 - 300 du's
Source: Canyon Research Southwest, Inc.			

The Downtown Core possesses a solid foundation from which to support continued development and absorption activity. Market dynamics and location characteristics of the Downtown Core suggest the greatest opportunities exist for future retail, professional office and housing development. Future development will concentrate on infill parcels, under utilized properties (i.e., parking lots) and the assemblage and razing of existing properties. Land use patterns should involve establishing development boundaries whereby a more concentrated commercial core could be developed, transitioning into lower density mixed-use areas and the existing single family neighborhoods.

Based on existing land use and traffic patterns, potential development boundaries include Second Street to the north; Fifth Street to the south; Green Street/Grand Avenue to the east and Jefferson Street to the west. The intersection of Third and Douglas Streets would serve as the Downtown Core's center point whereby land uses would be most concentrated. The perimeter arterials would serve as transitional zones between the commercial core and the adjacent residential neighborhoods. Potential land uses within the transitional zones would include residential scale commercial, a mix of single family and multi-family housing, and public surface parking lots.

Further commercial encroachment should be avoided along the gateway corridors into the Downtown Core, specifically Third Street from both the east and west; Douglas Street from the north and Jefferson Street from the south. These streets create a residential gateway and a sense of arrival into the Downtown Core.

The opportunity exists to support a wide range of for-sale housing in the Old Town Study Area. Entry-level single family homes and townhouses developed within the transitional zones and existing residential neighborhoods would target young professionals and couples. Potential sites include the 3.5-acre city-owned property at the southwest corner of Third and Independence Streets as well as vacant land at the intersection of Main and Orchard north of the Downtown Core. Meanwhile, empty nesters and affluent singles would be attracted to a more upscale attached and detached housing product. This housing product would be best suited within mixed-use projects in the Downtown Core as well as transitional zones.

Two municipal improvement projects will have a significant influence on the Downtown Core, including a new city hall and streetscape improvements. The new city hall site is located on Green Street between Second and Third Streets. To create a major “activity center” additional government facilities, public open space and retail/office space could be clustered around the new city hall. Meanwhile, the streetscape design should consider the use of public art and creating more public space through the use of wider sidewalks in appropriate locations. The increased public space could assist in accommodating larger pedestrian traffic volumes as well as create outdoor dining and display space.

Potential municipal improvements for the Downtown Core could include the construction of additional public parking, open space, a farmer’s market, a senior center and a performing arts venue. Parking is a perceived problem downtown and construction of the new city hall may add to the problem. Construction of a public parking garage for city employees and downtown businesses could enhance commerce and free-up existing surface lots within the Downtown Core for redevelopment. Peripheral surface lots with a uniform design and adequate signage would also assist in remedying the parking shortage. The open space and farmer’s market would serve as public gathering places and host special community events. A new senior center could be incorporated into redevelopment plans for the existing city hall. The performing arts venue could take the form of an amphitheatre within the urban park/plaza or an enclosed theatre.

Fifteen potential redevelopment sites have been identified within the Downtown Core. The objective of redeveloping these sites is to increase the concentration of downtown by filling in vacant and under utilized properties. Each potential site is summarized below:

- Site No. 1: City block bound by Maple, Second, Main and Market Streets
- Site No. 2: Existing City Hall on Market Street
- Site No. 3: City parking lot on Market Street
- Site No. 4: Commercial buildings on north side of Third Street between Jefferson and Market
- Site No. 5: Summit Motor Company – SWC Third and Market Streets
- Site No. 6: City block bound by Fourth, Fifth, Market and Jefferson Streets
- Site No. 7: City block bound by Fourth Street, Fifth Street, Market Street and train tracks
- Site No. 8: Owen Lumber property at Third and Main Streets
- Site No. 9: SEC Fourth and Main Streets
- Site No. 10: NEC Fourth and Main Streets
- Site No. 11: Public parking lot on west side of Douglas Street between Second and Third St.
- Site No. 12: East side of Green Street between Second and Third Streets
- Site No. 13: Aldi store at SEC Third and Green Streets
- Site No. 14: Arnold Hall surface parking lot on Third Street
- Site No. 15: North Main Street industrial area

Several potential redevelopment sites have also been identified within the balance of the Old Town Study Area. Additional redevelopment sites include:

- The city-owned property at the southwest corner of Second Street and Independence is an excellent development site, offering adequate access, visibility, infrastructure and size. Potential land uses include medium to high density detached for-sale housing.

- The vacant land at Main and Orchard Streets is suitable for infill single family housing incorporating a small pocket park.
- The commercial land uses along the railroad tracks south of Chipman Road are suitable for residential re-use.
- The single family homes along the south side of Chipman Road east of U.S. 50 are suitable for redevelopment into suburban scale professional offices.
- The automobile dealerships on the east side of Blue Parkway south of Chipman Road possess the size, access and visibility suitable for accommodating mixed-use development with retail, office, hotel and multi-family residential uses.
- Vacant and over-sized lots within the residential neighborhoods north of the Downtown Core are suitable for infill residential development.

Strategies for improving the urban fabric and marketability of the entire Old Town Study Area for future commercial, residential and municipal development are identified below.

Downtown Core

- Establish activity districts within the Downtown Core catering to distinctive niches (i.e., Government Center District, Depot Square Historic District, Entertainment District, Residential District, etc.);
- Create “transition zones” at the fringes of the Downtown Core allowing for smoother land uses transitions between the commercial core and the adjacent residential neighborhoods;
- Create additional public parking. Public parking lots should possess a uniform design and adequate signage. Establish designated employee parking and increase the 2-hour time limit on the remaining public parking;
- Install tenant directory signs as part of the scheduled downtown streetscape improvements;
- To increase customer traffic volumes within the Downtown Core direction signs could be erected along Interstate 470, U.S. 50 and Missouri Highway 291;
- Landmark “gateway” features could be erected along Second, Third, Douglas and Jefferson Streets at both the edge of the Old Town Study Area and Downtown Core;
- Create additional public space, including wider sidewalks, urban park/plaza and permanent farmer’s market facility;
- Construct sidewalks and bike paths linking the Downtown Core with residential neighborhoods in the balance of the Old Town Study Area; and

- Cooperative retail promotions and an increased event calendar to attract more people to the Downtown Core.

Balance of Old Town Study Area

- Establish key residential historic districts. Doing so could assist in reducing commercial encroachment and provide home owners with financial incentives for reinvestment into their properties. Create distinguishable residential neighborhoods through use of period signage, street lights, sidewalks, monuments and landscaping;
- Additional senior housing within walking distance from the Downtown Core would enhance vitality of downtown;
- Incorporate small pocket parks within the Old Town residential neighborhoods;
- Third Street from the west and Douglas Street from the north should be retained as residential gateways, creating a sense of arrival into the Downtown Core;
- Redevelop existing automobile dealerships at U.S. 50 and Chipman Road into mixed-use gateway hub consisting of retail, office, hotel and multi-family residential land uses;
- Increase housing stock to include senior housing, rental and for-sale multi-family, medium- and high-density single family and townhouse, and entry-level product; and
- As Lee's Summit continues to grow the Jefferson Street gateway will increase in importance, stimulating possible redevelopment of existing commercial uses at the U.S. 50 interchange.

The City's role will be vital in fostering redevelopment efforts in both the Downtown Core and balance of the Old Town Study Area. City government must serve as a leader in the planning and implementation process by soliciting community involvement; entering into public/private sector partnerships; and offering economic incentives. Designating a city staff member to serve a dual role as a downtown redevelopment coordinator and historic preservation officer would be an important commitment in implementing the *Master Plan*.

A major hurdle impeding future redevelopment efforts within the Old Town Study Area includes the ability to assemble properties at a price which allows for financially feasible development. In recent years property values have escalated more rapidly than rental rates, placing increased pressures on the ability of developers to foster financially feasible development. If this trend continues the City's involvement in assembling, packaging and entitling development sites may become critical in the redevelopment process.

**MARKET STUDY OF REDEVELOPMENT OPPORTUNITIES
OLD TOWN STUDY AREA MASTER PLAN
LEE'S SUMMIT, MISSOURI**

May 2003

1.0 INTRODUCTION

1.1 Study Objective and Organization

The City of Lee's Summit, Missouri has contracted with EDAW Inc. to prepare a *Master Plan* for the Old Town Study Area, consisting of both the "Downtown Core" and surrounding neighborhoods bound by Chipman Road, U.S. 50 and Missouri Highway 291. As a team member with EDAW Inc., Canyon Research Southwest, Inc. has prepared a Market Study designed to quantify the demand for various types of real estate in the Old Town Study Area. Potential land uses evaluated include retail, professional office, hotel and residential.

The Market Study commenced with a brief overview of the Old Town Study Area, including location, current tenant mix and recent development activity. The strengths, weaknesses and opportunities of the Old Town Study Area as a potential redevelopment location were also discussed. Secondly, a Marketability Analysis was conducted on each potential land use, including both metropolitan and competitive market area overviews. The metropolitan Kansas City market overviews addressed historical trends in new construction, absorption, vacancies and market activity by geographic sub-market. Meanwhile, the competitive market analysis focused on surveying directly competitive properties within Lee's Summit. The competitive market analysis also included long-term space demand forecasts to quantify the need for additional space as well as a site specific evaluation designed to determine the most appropriate locations within the Old Town Study Area to accommodate various commercial and residential land uses.

Based on the study findings, potential short- and long-term redevelopment opportunities for the Old Town Study Area were recommended, as well as specific redevelopment sites/locations. Study recommendations included the following:

- Identify the Old Town Study Area's most appropriate market positioning (i.e., entertainment district, shopping destination, employment center, tourism attraction, etc.), including a mix of land uses, architectural design and tenant mix;
- Quantify the supportable inventory of new commercial space and residential dwelling units in the Old Town Study Area through 2020;
- Identify potential redevelopment opportunities for the Old Town Study Area as well as specific redevelopment sites; and
- Measures to improve the marketability of the Old Town Study Area.

A separate document later in the *Master Plan* process will detail an implementation strategy for Old Town Study Area.

1.2 Old Town Study Area Overview

Lee's Summit is located within the Kansas City metropolitan area's southeast quadrant in eastern Jackson County, Missouri. Jackson County is one of eleven counties which comprise the metropolitan Kansas area. Centrally located, Jackson County houses 37 percent of the metropolitan area's population. In recent years the eastern Jackson County communities of Independence, Lee's Summit and Blue Springs have emerged as one of Kansas City's leading urban growth centers, due primarily to convenient freeway access, ample availability of land, healthy business climate and high quality of life.

The Old Town Study Area of Lee's Summit is located at the heart of the community, surrounded by three major transportation corridors, Interstate 470, U.S. 50 and Missouri Highway 291. The Old Town Study Area consists of 1,774 acres bound by Chipman Road to the north, Missouri Highway 291 to the east and U.S. 50 to the south and west (See map on page 3). The Downtown Core incorporates roughly 141 acres in a 13-block area with 3rd and Douglas Streets representing the center point. With an estimated 450,000 square feet of commercial space, the Downtown Core now serves as the community's government, specialty retail and religious center. Despite aggressive commercial development in recent years along Interstate 470, U.S. 50 and Missouri Highway 291, the Downtown Core real estate market has remained healthy, marked by high occupancy levels and escalating property values. Restaurants, antique/gift stores, furniture/home furnishings and beauty salons/barbers head the list of downtown retailers. Office users comprise over one-third of the tenant base, lead by insurance agencies, attorneys and accountants.

Downtown Core Tenant Mix

<i>Tenant Type</i>	<i># of Businesses</i>	<i>% of Total</i>
Grocery	1	0.63%
Drug	1	0.63%
Apparel & Accessories	3	1.90%
Furniture & Home Furnishings	9	5.70%
Antiques/Crafts/Gifts	11	7.00%
Restaurants/Bars/Banquet Space	12	7.60%
Coffee Shop	2	1.27%
Beauty Salons & Barbers	8	5.06%
Jeweler	4	2.53%
Art Gallery	3	1.90%
Automotive Parts & Repair	7	4.43%
Printing & Graphics	5	3.17%
Misc. Retail	38	24.05%
Professionals	47	29.75%
Physicians & Dentists	7	4.43%
Totals	158	100.00%

Source: Canyon Research Southwest, Inc., April 2003.

Old Town Study Area Boundaries

(Insert Map)

During a Downtown Advisory Committee meeting and individual stakeholder meetings the topic of the Downtown Core's current strengths, weaknesses and opportunities were addressed. Based on this input, as well as the consultant's observations, a list of strengths, weaknesses and opportunities is summarized in the table on pages 5-7.

Despite considerable highway-related commercial development in recent years, the Downtown Core remains a vibrant urban area with many assets from which to leverage future redevelopment efforts. Principal strengths and assets include a large government presence, strong community support for downtown redevelopment, the presence of a wide mix of commercial and residential land uses, considerable property reinvestment, a healthy real estate market and the availability of infill sites to facilitate continued development. This environment has attracted developers with several projects recently completed or scheduled for construction.

The principal challenges facing future redevelopment of the Downtown Core include addressing the issues of a perceived parking shortage; continued encroachment of commercial uses into residential neighborhoods; increasing vehicular access and exposure without the benefit of a major arterial through downtown; manufacturing public open space and fostering financially feasible private- sector development.

Together, the strengths and constraints of the Downtown Core create a wide range of opportunities for future redevelopment efforts. The most notable opportunities include the ability of the pending new City Hall and streetscape improvements to leverage additional private-sector investment; the City's ability to influence redevelopment efforts by taking a proactive leadership role; the use of mixed-use development to create additional density and introduce a wide range of new housing opportunities; establishing downtown as a regional destination; and expanding on the current retail and office base.

During 2002, the citizens of Lee's Summit approved bond proposals for two capital improvement projects within the Downtown Core. First, a \$20 million City Hall will be constructed along Green Street between Second and Third Streets. The 75,000 square foot building will consolidate city departments and serve as downtown's principal anchor tenant. Second, a \$5.0 million streetscape improvement project will involve the construction of new municipal utilities, streets, curbing, sidewalks and period lighting. Together, these two capital improvement projects signal a major commitment by the City in the Downtown Core.

Two local developers have recently completed mixed-use projects in the Old Town Study Area which are worth noting as they have raised the bar for future redevelopment efforts. In early 2003, Cumberland Properties completed Market Place, a 2-story 7,000 square foot building offering six office suites on the ground floor and six loft apartments on the second floor. Monthly rents are \$850 for the 1-bedroom units and \$900 to \$950 per month for the 2-bedroom units. In 2001, Cumberland Properties also completed 500 Market Center, a 7,000 square foot office building which is now fully occupied. Froehlich Pycior Companies developed 13,500 square feet of specialty retail and office space at Third and Main Streets parallel the railroad tracks. The building was fully leased prior to completion. The firm is now planning a 3-story, 9,000 square foot building at Third Street and Grand Avenue designed for retail and residential uses over first floor parking. These recent projects suggest interest exists for mixed-use development within the Old Town Study Area. The purpose of this report is to identify short- and long-term development opportunities made possible by redevelopment efforts to date.

Strengths & Assets of Lee's Summit's Downtown Core

- Great retail mix – satisfies a wide range of consumer shopping needs;
- Healthy real estate market marked by high occupancy rates and competitive lease rates;
- New City Hall remaining downtown should create a catalyst for redevelopment;
- Integrity of houses creates desirable neighborhoods;
- Supports a wide mix of homes and businesses;
- Lee's Summit is viewed regionally as a “hot spot;”
- The Downtown Core is a regional destination for home furnishings;
- Adequate parking downtown;
- Walkable downtown;
- Main Street events;
- Variety of services available;
- Strong civic groups;
- The Downtown Core possesses a unique character and charm with a hometown feel / small-town feel;
- Most properties are locally owned;
- Good downtown schools and presence of school district office;
- The Downtown Core creates a sense of place for Lee's Summit;
- The Downtown Core is a safe place to live and work;
- Availability of infill development sites;
- Presence of the railroad – creates sense of history;
- Strong community support for downtown redevelopment; and
- The Downtown Core is currently a vibrant place.

Constraints & Concerns of Lee's Summit's Downtown Core

- Limitation on the amount of land area available for redevelopment;
- Lack of “gateway” signage into downtown – downtown is “buried”
- Need for higher density housing – the key to a thriving downtown;
- Continued highway commercial development will weaken the Downtown Core;
- The Downtown Core must distinguish itself from other Midwestern downtowns;
- Noise and safety concerns over presence of the railroad and lumberyard;
- Commercial encroachment into residential neighborhoods, creating incompatible land uses. Create “transitional zone” between urban core and residential neighborhoods;
- Inadequate public parking and need for better directional signs leading to public parking;
- Retailers and restaurants need to be open on Sundays;
- Presence of absentee property owners reluctant to invest in properties;
- Current municipal review/approval process is too lengthy;
- Tenants are small and independent which is more risky for landlords and developers;
- Presence of Southwestern Bell facility;
- Current 2-hour parking limitation is insufficient, particularly for out-of-towners;
- Not a major pent-up demand for commercial space in the Downtown Core;
- Downtown Lee's Summit is not a town square;
- Lack of development guidelines specific to the Downtown Core;
- Lack of public space;
- Absence of sidewalks linking adjacent residential neighborhoods to downtown;
- Traffic congestion; and
- Rising property values are threatening financially feasible development.

Potential Opportunities for Lee's Summit's Downtown Core

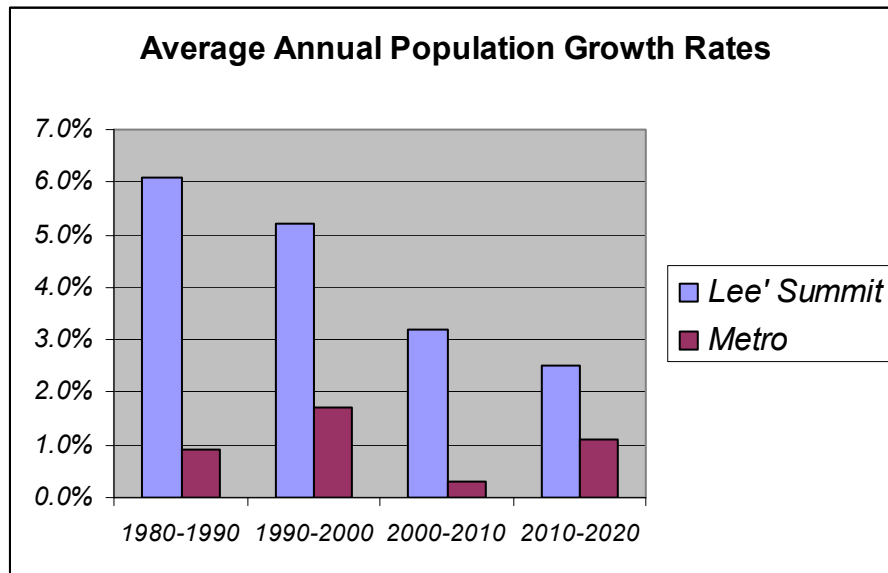
- Design the planned City Hall as a downtown centerpiece, which together with the streetscape improvements, leverage additional private-sector investment;
- The City can be an active participant in downtown redevelopment by marketing City-owned property, establishing specific design guidelines, serving as a tenant in redevelopment projects and offering economic incentives to enhance the financial feasibility projects in the Downtown Core;
- Mixed-use development of infill sites can create additional density within the Downtown Core and introduce a wide range of new housing opportunities;
- Ability to support a wide range of housing opportunities will create a more active urban center and stimulate the demand for additional retail goods and services downtown;
- Establish the Downtown Core as a regional destination by building on current cluster of home furnishing businesses and restaurants as well as creating an entertainment center through cultural and performing arts venues;
- The Downtown Core serves as a niche office location for professional service firms. As Lee's Summit continues to grow, downtown has the opportunity to support additional office development;
- To create a unique urban setting, protect and enhance historical properties;
- Creating additional public space would provide the opportunity to stage more events and increase patronage of downtown businesses;
- Create additional public parking to assist existing businesses and facilitate additional development;
- Creating bike linkages would stimulate additional interaction between the Downtown Core and adjacent neighborhoods;
- An improved senior center and additional senior housing close to the Downtown Core would increase urban vitality;
- Establishing specific design standards for downtown would assist in facilitating future redevelopment efforts;
- "Gateway entrances" leading into the Downtown Core would create the sense of arrival and improve vehicular access and customer traffic for downtown businesses; and
- Develop a permanent farmer's market facility, providing a link to Lee's Summit's past.

2.0 LEE'S SUMMIT ECONOMIC OVERVIEW

Lee's Summit is located within metropolitan Kansas City's southeast quadrant in Jackson County, Missouri. In an effort to provide an understanding of the economic climate impacting downtown Lee's Summit as well as the city's real estate industry, this section of the report highlights the issues of population growth, business conditions, demographics and transportation.

2.1 Historical Population Growth

Over the past two decades Lee's Summit has emerged as one the Kansas City area's primary population growth centers. As a percentage of the metropolitan population, Lee's Summit has increased from 2.1 percent in 1980 to 4.0 percent by 2000. During the 1980s the city's population grew at an average annual rate of 6.1 percent, compared to the metro-wide rate of 0.9 percent. Strong population growth continued throughout the 1990s at an average annual pace of 5.2 percent, exceeding the metro rate of 1.7 percent. With a population base of 70,700 residents, Lee's Summit is now the 5th largest city in the State of Missouri. Quality schools and desirable housing choices are major population draws for Lee's Summit.



Source: U.S. Census and Lee's Summit Comprehensive Plan.

Lee's Summit added 17,540 residents during the 1980s and 24,304 residents in the 1990s. More important to the downtown area is that population growth in Lee's Summit is forecast to remain strong over the coming 20-year period, reaching a total population of 116,000 by 2020. During the decade from 2000 to 2010 the average growth rate for Lee's Summit is anticipated to slow to 3.2 percent per year, but will remain well above the metro rate of just 0.3 percent. For the decade a gain in population of 22,300 residents is forecast. The annual growth rate will continue to moderate to 2.5 percent over the 2010 to 2020 time frame, with the addition of 23,000 residents. These forecast high levels of population growth will fuel considerable opportunities for residential and commercial development within Lee' Summit.

Population Growth Trends

Time Period	Kansas City Metro Area	Jackson County, Missouri	Johnson County, Kansas	Lee's Summit	Lee's Summit % of MSA
1980	1,381,915	629,266	270,269	28,856	2.1%
1990	1,511,740	633,232	355,054	46,396	3.1%
2000	1,776,062	654,880	451,086	70,700	4.0%
2010	1,834,659	670,860	533,308	93,000	5.1%
2020	2,030,384	692,979	638,089	116,000	5.7%

Source: Mid-America Regional Council; U.S. Census; Lee's Summit Comprehensive Plan.

The median age for Lee's Summit of 35.1 years is comparable to the metropolitan Kansas City norm. The current age distribution in Lee's Summit is consistent with its family-oriented resident base. About 31.5 percent of residents are under the age of 20, which is slightly above the metro average of 29 percent. The population aged 35 to 54 years is the largest in Lee's Summit, accounting for 32.5 percent of the city's population, compared to 30.7 percent for the entire metropolitan area. About 58.2 percent of the population of Lee's Summit is working age, between 20 and 64, with 10.2 percent 65 or older.

2.2 Employment and Business Conditions

The 2000 Census reported that Lee's Summit supported an employment base of 26,807 jobs, exclusive of government employment. The service sector is the leading source of employment, with 11,037 jobs accounting for 41 percent of the workforce. Other leading sectors include construction (16%); retail trade (14%); FIRE (9%) and manufacturing (9%).

Lee's Summit Employment by Sector; 2000 Census

Sector	Lee's Summit Employment	% of Total	Kansas City MSA Employment	% of Total
Agricultural	6	0.02%	175	0.02%
Mining	15	0.06%	750	0.08%
Construction	4,293	16.01%	57,372	6.35%
Manufacturing	2,471	9.22%	92,069	10.18%
Trans. & Utilities	617	2.30%	43,216	4.78%
Wholesale Trade	1,620	6.04%	71,155	7.87%
Retail Trade	3,835	14.31%	107,289	11.87%
FIRE	2,524	9.42%	74,872	8.28%
Information	389	1.45%	54,909	6.07%
Services	11,037	41.17%	402,380	44.50%
Totals	26,807		904,187	

Source: U.S. Census.

According to the U.S. Census, Lee's Summit is a net exporter of jobs, maintaining 0.30 jobs per capita. By comparison, the national rate is 0.57 jobs per capita with the metropolitan Kansas City area supporting 0.66 jobs per capita. Western Jackson County, Kansas has emerged into a major employment center supporting 1.34 jobs per capita. These statistics suggest that while considerable job growth was reported during the 1990s, Lee's Summit still remains a bedroom community. Fortunately, the population demographics of Lee's Summit and Western Jackson County are similar, indicating Lee's Summit too can evolve into a growing employment center as the city's population reached a critical mass.

Lee's Summit houses a broad spectrum of major employers, including manufacturers of plastic containers, tools and electronic components. A variety of service businesses are present such as customer service centers for pharmaceuticals and telecommunications firms, data management and processing centers, and educational institutions. There are 17 business sites in Lee's Summit with 200 employees or more, and eight business sites with over 500 employees

According to the Mid-America Regional Council, Eastern Jackson County, which includes Lee's Summit, currently accounts for 3.4 percent of regional employment. This market share is forecast to reach 3.8 percent by 2020. Between 2000 and 2020, employment in Eastern Jackson County is projected to increase by 11,900 jobs from the current base of 37,100 jobs. The Lee's Summit employment base is anticipated to shift way from industrial uses toward office uses.

2.3 New Construction Activity

The recent gains in employment have fueled a strong new housing market. Since 1995 a reported 8,171 residential dwelling units have been permitted for construction, peaking in 2000 with 1,244 dwelling units permitted. The single family housing sector accounted for 83 percent of all residential construction. From 1997 to 2002, the total valuation of single family construction amounted to nearly \$550 million.

Trends in Residential Construction Activity Lee's Summit, Missouri

<i>Year</i>	<i>Single Family</i>	<i>Duplex</i>	<i>Multi-Family</i>	<i>Total Units</i>	<i>Total SF Valuation</i>
1995	998	38	8	1,044	n/a
1996	1,114	42	40	1,196	n/a
1997	727	114	64	905	\$72,626,070
1998	802	100	128	1,030	\$83,070,464
1999	824	46	74	944	\$88,327,412
2000	680	40	524	1,244	\$81,591,486
2001	748	16	41	805	\$88,169,684
2002	887	40	76	1,003	\$135,591,824
Totals	6,780	436	955	8,171	
<i>Source: City of Lee's Summit Planning Department.</i>					

Since 1995, Lee’s Summit has also supported strong nonresidential construction activity. Over 6.1 million square feet of space has been permitted for construction, valued in excess of \$208 million. Construction peaked in 2000 with the addition of 1.84 million square feet of space. New space by sector was lead by retail with 3.1 million square feet of building area, followed by industrial with 2.06 million square feet and office with 946,000 square feet. The table below summarizes annual construction activity by product type.

Trends in Nonresidential Construction Activity Lee’s Summit, Missouri

Year	Retail Sq. Ft.	Office Sq. Ft.	Industrial Sq. Ft.	Total Space	Total Valuation
1995	293,964	7,000	136,460	437,424	n/a
1996	187,401	152,526	204,625	544,552	n/a
1997	267,882	106,160	396,890	770,932	n/a
1998	414,058	142,366	368,432	924,856	\$48,292,949
1999	304,890	174,131	169,829	648,850	\$43,073,174
2000	1,374,690	95,708	370,417	1,840,815	\$58,734,549
2001	241,737	158,830	203,247	603,814	\$25,053,989
2002	42,928	109,415	206,738	359,081	\$33,236,244
Totals	3,127,550	946,136	2,056,638	6,130,324	

Source: City of Lee’s Summit Planning Department.

Spurred by accelerated population growth, convenient freeway access and ample availability of developable land, since the mid-1990s the City of Lee’s Summit has experienced an unprecedented construction boom, lead by single family housing and the retail sector. Continued population and employment growth are forecast to fuel continued urban development.

2.4 Demographics

With a household count of 26,417 by the 2000 Census, Lee’s Summit accounted for 3.8 percent of the households in the Kansas City metropolitan area. From 1990 to 2000, the number of households grew by 5.1 percent annually, compared to a metro-wide growth rate of 1.9 percent. By 2010, Lee’s Summit will support an estimated 34,749 households, increasing further to 44,393 by 2020. This growth in new households will generate strong demand for new housing.

The average household size increased slightly over the past decade, from 2.63 in 1990 to 2.65 by 2000. This growth is forecasted to continue, reaching an average household size of 2.68 by 2010. This is contrary to the regional trend of declining or steady household sizes and is reflective of the dominance of young families with children in Lee’s Summit.

Household income levels in Lee’s Summit are among the highest within the Kansas City metropolitan area. The median household income of \$60,905 in 2000 exceeded the metro norm

of \$46,193 by 32 percent. The percentage of households earning over \$75,000 (36.7%) greatly exceeds the metro average (24.3%). As depicted in the table below, Lee’s Summit is very similar to Johnson County, Kansas in terms of income distribution and median income. These high income levels have fueled a strong custom home market and retail sector.

Household Income Distribution Lee’s Summit vs. Johnson County

<i>Income Level</i>	<i>Lee’s Summit</i>	<i>Johnson County</i>
Under \$25,000	14.7%	12.9%
\$25,000 - \$49,999	23.1%	25.6%
\$50,000 - \$74,999	25.4%	23.4%
\$75,000 - \$99,999	16.6%	15.3%
\$100,000+	20.1%	22.7%
Median	\$60,905	\$61,455

Nearly two-thirds of Lee’s Summit households are comprised of married couples. An estimated 32.9 percent of these households have children under 18, while an almost equivalent share, 29.2 percent have no children living at home. Less than 8 percent of households are single parents with children under 18.

Among persons over age 25, Lee’s Summit has an educated labor force with 93.1 percent of the employed residents having completed high school and 44.7 percent having a college degree or higher. By comparison, only 86.7 percent of the metro area workers are high school graduates and 34.3 percent are college graduates. Lee’s Summit is more similar to Johnson County, Kansas which has an even higher proportion of college graduates (54 percent).

Home ownership in Lee’s Summit greatly exceeds the metro norm with 75.6 percent of all households residing in owner-occupied homes. This rate of home ownership is also much greater than both Jackson and Johnson County averages.

2.5 Conclusions

Since 1990, Lee’s Summit has emerged as Eastern Jackson County’s premier urban growth center, experienced gains in population, employment and income levels far exceeding metropolitan averages. Lee’s Summit’s high quality of life has attracted a young, educated and affluent population. The real estate sector has benefited from the city’s economic expansion, posting accelerated residential, commercial and industrial construction activity. Lee’s Summit is forecast to remain an urban growth leader which will create continued opportunities for residential, commercial and industrial development.

3.0 RETAIL MARKETABILITY ANALYSIS

This section of the report evaluates the marketability of future retail development within both Lee's Summit's Downtown Core and balance of the Old Town Study Area.

3.1 Metropolitan Kansas City Retail Market Overview

Historical Market Conditions

According to the *Kansas City Retail Market Report 2001* (most recent report available) published by Cohen Esrey Real Estate Services Inc., by year-end 2001 the metropolitan Kansas City area encompassed over 49.8 million square feet of retail space. The suburban locations of Johnson County, Kansas (21.0 million square feet); eastern Jackson County, Missouri communities of Independence, Blue Springs and Lee's Summit (9.2 million square feet) and North Kansas City (7.53 million square feet) possess the bulk of the metropolitan area's existing inventory of retail space. Given the size of the Kansas City MSA (1.79 million residents), most national big-box retailers maintain a presence. A list of national retailers operating stores in the metropolitan Kansas City area is provided in the table below.

National Retailers Operating in Kansas City

Major Discounters

Kmart
Target
Wal-Mart

Department Stores

Dillard's
J. C. Penney
Jacobsons
Jones Store
Kohl's
Nordstroms
Sears

Home Improvement

Home Depot
Lowe's

Warehouse Clubs

Costco
Sam's Club

Electronics

Best Buy
Circuit City

Office Supply

Office Depot
Office Max

Linens/Home Store

Bed, Bath & Beyond
Linen & Things

Book Stores

Barnes & Noble
Borders

Pet Supply

Petco
PetsMart

Auto Supply

Auto Zone
O'Reilly Auto Parts
Advanced Auto Parts

Sporting Goods

Galyans
MC Sports

Hobby/Craft

Hobby Lobby
Michaels

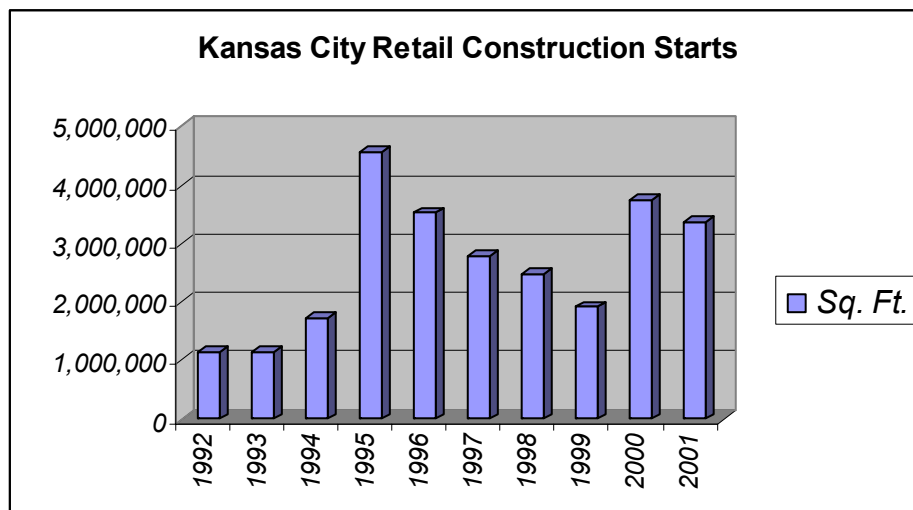
Clothing

Old Navy
Gap
The Limited
TJ Maxx
Stein Mart
Mens Warehouse

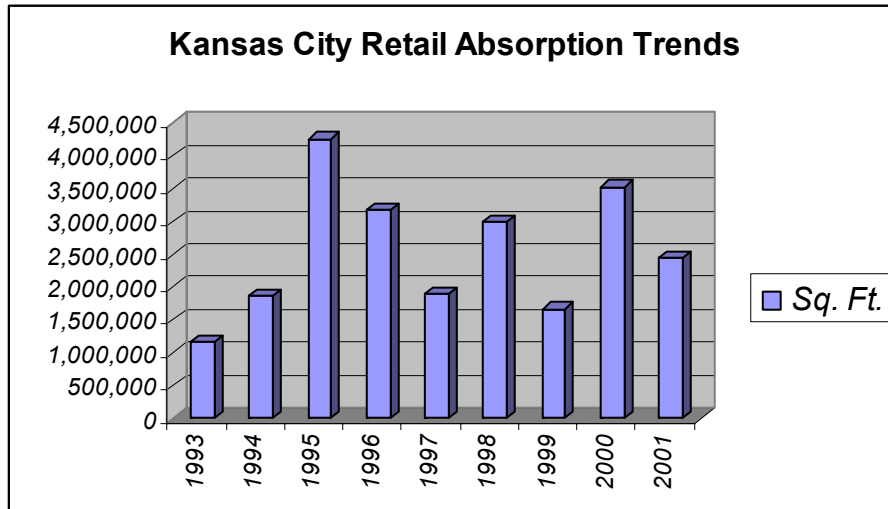
National retailers recently entering the Kansas City market include Costco and Lowe's. Retailers aggressively expanding in the Kansas City area include Target, Wal-Mart, Home Depot, Sam's Club and Kohl's. Retailers either closing operations or contracting include Montgomery Ward, Home Quarters, Payless Cashways and Kmart.

Since 1990, the Kansas City metropolitan area population has grown by 13.1 percent to 1.79 million with the average household income reaching \$46,193. These favorable demographics have fueled escalating retail sales and aggressive shopping center development. The Kansas City area's 2001 retail sales were reported at over \$20 billion, led by Jackson County, Missouri (33.8%) and Johnson County, Kansas (29.5%). Leading sectors for retail sales included automobile dealerships, food, general merchandise, and eating/drinking establishments.

In response to a growing population and retail sales volumes, from 1992 through 2001 the inventory of retail space in the Kansas City region nearly doubled, increasing by 22.4 million square feet. After peaking in 1995 at 4.57 million square feet of new space, retail construction gradually declined to a level of 1.92 million square feet in 1999. During 2000 and 2001 new construction rebounded with over 7.1 million square feet of space built as several national retailers both entered the market and expanded. New retail construction was particularly active within the growing suburban markets of Overland Park, North Kansas City, Independence and Lee's Summit.



Despite nearly doubling the inventory of retail space over the past decade, strong demand by retailers has yielded consistently favorable market conditions. Since 1993 total net absorption has amounted to over 23.0 million square feet of space, averaging 2.56 million square feet annually. Since the peak of new construction in 1995, supply and demand conditions have remained steady. With the exception of 1997, the metro-wide vacancy rate has remained in the 7.4 to 8.1 percent range, signifying a market operating at or near equilibrium. The metropolitan vacancy rate did spike up during 2001 to a year-end level of 9.1 percent with 4.5 million square feet of the total inventory of 45.0 million square feet vacant and available for lease. This recent escalation in the vacancy rate from 7.95 percent at year-end 2000 can be attributed to the closure of several big-box retailers (i.e., Montgomery Wards and Kmart) and the surge in new construction over the past two years which is still in the lease-up phase.



Much of the driving force behind recent retail construction trends in the Kansas City area stems from the aggressive expansion of such big-box retailers as Costco, Home Depot, Kohl's, Lowe's, Wal-Mart, Sam's Club and Target. Several supermarket and drug store chains have also implemented aggressive expansion plans over the past several years. These retailers and others are attempting to capitalize on high per capita retail spending in the Kansas City area as well as strong population growth at the urban fringe.

Eleven regional malls operate within the metropolitan Kansas City area, totaling 10.2 million square feet of net leasable space. Reported annual sales within the existing regional malls range from \$190 to \$500 per square foot. Oak Park Mall (\$500 per square foot); Independence Center (\$375 per square foot) and Metro North (\$350 per square foot) represent Kansas City's top regional malls. Major department stores occupying regional malls in Kansas City include Dillard's, J.C. Penney, The Jones Store, Nordstrom and Sears.

In recent years strong retailer demand for space and healthy market conditions have yielded considerable escalations in land values and rental rates. Generally, commercial land values have doubled over the past 3 to 5 years. Quality 1.0-acre freestanding pad sites designed to accommodate restaurants and banks now sell for \$12.00 to \$15.00 per square foot, with corner parcels garnering as much as \$15.00 to \$20.00 per square foot. The proliferation of freestanding drug stores has driven up land values. Shopping center parcels now sell for \$4.50 to \$7.00 per square foot, up from \$2.00 per square foot several years ago.

Rental rates for shop space within new neighborhood shopping centers generally ranges from \$18.00 to \$22.00 per square foot triple-net. Even older neighborhood shopping centers have reported rental rate escalations, now garnering \$12.00 to \$15.00 per square foot, up from \$10.00 per square foot four years ago. High-end lifestyle centers rent for \$25.00 to \$26.00 per square foot while specialty centers garner \$45+ per square foot. The Central Kansas City, South Johnson County and eastern Jackson County sub-markets support the metropolitan area's highest rental rates.

Retail Sub-markets

The Cohen Esrey *Kansas City Retail Market Report* divides the Kansas City area into ten sub-markets. The geographic boundaries for sub-market are depicted by the map on page 17, followed by a table highlighting the corresponding retail market data.

Much of the recent new retail construction has migrated into the outlying suburbs to capitalize on steady population and income growth. New retail destinations include 119th Street in Overland Park, the Interstate 35 corridor in Olathe and Shawnee Mission Parkway in Shawnee, all in southern Johnson County, Kansas; Highway 152 in north Kansas City; and the intersection of Interstates 70 and 470 in Independence, Missouri. A growing number of national big-box retailers have been attracted to these retail hubs. The 135th Street corridor in Overland Park, Kansas is positioned as the new retail hub within rapidly expanding southern Johnson County.

Johnson County, Kansas maintains the largest inventory of retail space within the metropolitan Kansas City market area. By the year-end 2001 the Johnson County, Kansas retail sub-market totaled 21.0 million square feet of space, operating at a cumulative vacancy rate of 6.1 percent. In response to growing population and income levels, during recent years Johnson County has emerged as the metropolitan area's hottest retail development locations. Johnson County supports the metropolitan area's highest land values and lease rates.

Johnson County is divided into three sub-markets, led by Central Johnson County with 8.2 million square feet of space, an average vacancy rate of only 5.42 percent and an average rental rate of \$14.00 per square foot. Southern Johnson County houses 8.36 million square feet of retail space operating at an average vacancy rate of 5.87 percent. 119th Street in both Overland Park and Olathe has emerged as a primary retail corridor housing such tenants as Target, Home Depot, AMC Theaters, Barnes & Noble, Abercrombie & Fitch, Office Max, Wal-Mart, Best Buy and PetsMart. Because of this hub's size and depth of merchandise it serves as a retail destination for southern Jackson County, Missouri residents. With the 119th Street Corridor approaching build-out, new retail construction in southern Johnson County is focusing on the 135th Street corridor.

In response to its convenient freeway access and escalating new housing construction, Shawnee Mission Parkway serves as an emerging retail location within central Johnson County, Kansas. The primary concentration of new development has occurred just east of the Interstate 435 interchange. Major retailers at this location include Lowe's, Home Depot, Kohl's, Target, Wal-Mart, PetsMart, Michael's and Office Max.

The Independence/Blue Springs/Lee's Summit sub-market in Jackson County, Missouri is now the Kansas City area's second largest retail location. By year-end 2001 this sub-market maintained 9.2 million square feet of retail space operating at a metro low vacancy rate of 5.16 percent and an average rental rate of \$12.50 per square foot. Anchored by Independence Center, the intersection of Interstate 70 and Highway 291 represents the primary retail hub with 2.6 million square feet of shop space. Major retailers operating within this retail hub include Dillards, Sears, The Jones Store Co., AMC 20 Theaters, Wal-Mart, Kohl's, Target, Sam's Club, Garden Ridge, Lowe's and Costco. With completion in late 2001 of the 721,255 square foot SummitWoods Crossing (anchored by Super Target, Kohl's and Lowe's) at Interstate 470 and U.S. 50 in Lee's Summit another retail hub has formed. Fueled by favorable demographics and retail market conditions, the current construction boom is forecast to continue.

KANSAS CITY RETAIL MARKET
RETAIL SECTOR MAP

(Insert Graphic)

KANSAS CITY RETAIL MARKET
VACANCY RATES; 1994-2001

(Insert Graphic)

The Kansas City, Kansas sub-market maintains 2.24 million square feet of retail space, or just 4.5 percent of the metro-wide stock. Because of a declining trend in population and income levels one-third below the metropolitan average, market conditions have remained soft over the past decade. Since 1994, vacancy rates have ranged from 18.5 to 37.4 percent. The year-end 2001 vacancy rate of 26.86 percent was highest among the metropolitan area's ten sub-markets. Rents are the lowest metro-wide, averaging just \$7.00 per square foot (ranging from \$4.00 to \$10.00 per square foot). These market dynamics have caused both major retailers and developers to ignore the Kansas City, Kansas sub-market in favor of growing suburban locations. Wal-Mart and Kmart are the only big-box retailers operating stores in Kansas City, Kansas, with the 107,468 square foot Kmart store at State Avenue and Interstate 635 closing in 2001.

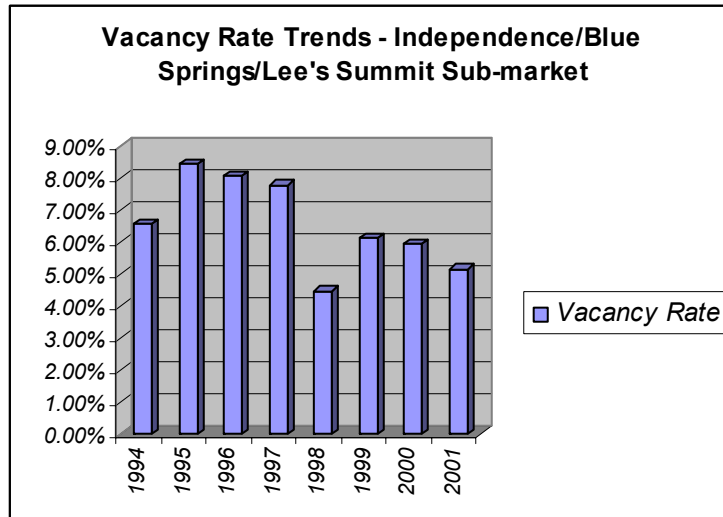
Kansas City North supports a total inventory of 7.51 million square feet of shop space and now represents the metropolitan area's second strongest retail growth market behind only South Johnson County. Approximately 500,000 square feet of retail space was added during 2001. Highway 152 serves as the primary growth corridor with retail hubs at Interstate 29 (Lowe's and Wal-Mart); Interstate 35 (Kmart, Target, Wal-Mart, and Home Depot) and Metro North Mall (Dillards, JC Penney, The Jones Store Co., Kohl's, Target, Best Buy, Circuit City and Michael's). During 2001, approximately 500,000 square feet of new retail space was added to the inventory, led by new Wal-Mart, Home Depot and Lowe's stores. Recent additions to supply have pushed vacancies above market equilibrium over the past four years, reported at 7.69 percent by year-end 2001. Rents have escalated, increasing from an average of \$9.00 per square foot during 1998 to a rate of \$12.00 per square foot by 2001.

The Grandview/Belton retail sub-market is located at the southern edge of the metropolitan Kansas City area and together these two cities possess a population of approximately 47,000 residents. At the close of 2001 the Grandview/Belton sub-market maintained nearly 1.47 million square feet of retail space, or just 2.9 percent of Kansas City's total inventory of space. The bulk of existing space is located within the Highway 71 corridor. Recent development activity has occurred within the Belton Town Center Redevelopment Project Area with construction of Home Depot and Target stores. The sub-market's year-end 2001 vacancy rate was reported at 20.9 percent, translating into nearly 25 square feet of occupied space per capita.

3.2 Lee's Summit Retail Market

3.2.1 Existing Inventory of Space

According to the *Kansas City Retail Market Report* published by Cohen Esrey, Lee's Summit is located within the sub-market including the Eastern Jackson County communities of Independence, Blue Springs and Lee's Summit. Collectively, these rapidly growing suburban communities now represent the metropolitan area's second largest sub-market, maintaining over 9.2 million square feet of retail space, or 18.5 percent of the metro total. The high concentration of retail space is best illustrated by the fact that the communities of Independence, Blue Springs and Lee's Summit support 36 square feet of occupied space per capita, which greatly exceeds the metropolitan average of 25 square feet per capita. This above average demand for retail space stems from the region's high income levels and large retail trade area resulting from the presence of a regional mall. Despite high levels of new construction, over the past four years the overall vacancy rate has remained well below market equilibrium.



Independence is the primary retail destination for Eastern Jackson County. According to the Missouri Department of Revenue, Independence is the state’s fourth leading community for retail sales, reporting taxable sales of \$1.5 billion in 2001. From 1995 to 2001, Independence experienced a 46 percent increase in taxable sales. Much of this surge in retail sales volumes were attributed to steady population growth in Eastern Jackson County. The construction of over 1.0 million square feet of retail space and the strong market positioning of the Independence Center retail hub.

The City of Independence maintains 5.1 million square feet of shopping center space. This inventory of space accounts for nearly 56 percent of all space in Eastern Jackson County. Nearly half of Independence’s retail stock is located within the Independence Center hub. From 1999 to 2001, approximately 928,000 square feet of new retail space entered the market, most of which was built adjacent to Independence Center. Despite this boom in new construction the Independence retail market has remained healthy. Since 1994 the city-wide vacancy rate has remained at or below market equilibrium.

Independence Center is an 850,000 square foot super regional mall anchored by Dillard’s, Sears and The Jones Store. Supported by rapid population growth within the neighboring communities of Blue Springs and Lee’s Summit, since the mid-1990s Independence Center and peripheral retail has flourished. Over 1.0 million square feet of retail space has been constructed adjacent to the mall during the past five years, bringing the current inventory of space within the Independence Center hub to over 2.6 million square feet. Accompanied by such big-box retailers as Wal-Mart, Target, Costco, Sam’s Club, Garden Ridge, Kohl’s and AMC Theatres, the Independence Center area now serves as Eastern Jackson County’s primary retail destination. Competitive market conditions bode well for the long-term prospects of Independence Center remaining as Eastern Jackson County’s primary retail destination.

With a population exceeding 48,000 residents, Blue Springs supports just over 800,000 square feet of shopping center space with big-box retailers limited to a Wal-Mart Supercenter and Hobby Lobby. Over the past four years vacancy rates have remained below 4.0 percent. As the population continues to grow national retailers will be attracted to Blue Springs.

Lee's Summit maintains 3.2 million square feet of shopping center space. The primary concentrations of retail development parallel the community's major transportation corridors, Interstate 470, U.S. Highway 50 and Missouri Highway 291. These arterials form the perimeter of the Downtown Study Area. In response to pent-up demand, healthy market conditions and favorable demographics, since 1995 over 3.1 million square feet of retail space (includes freestanding, strip and anchored centers) has been constructed in Lee's Summit. Despite this construction boom, over the past four years the overall vacancy rate has remained well below 6.0 percent. Retail sales in Lee's Summit increased from \$648 million in 1998 to \$838 million for 2002 as a result of new development, increasing population and high income levels.



Missouri Highway 291 south of Interstate 470 historically served as the primary retail corridor for Lee's Summit, housing such retailers as Wal-Mart, Kmart, Home Depot, Office Max, several grocery stores and a large number of national restaurant chains. A secondary retail corridor exists adjacent to U.S. 50, housing several grocery stores, drug stores and restaurants.

In late 2001, SummitWoods Crossing opened, a 721,255 square foot power center located at the intersection of Interstate 470 and Highway 50 in Lee's Summit Missouri. The center is currently 98.9 percent occupied and *now* serves as Lee's Summit primary retail destination. Anchored by Super Target, Lowe's Home Improvement Warehouse, and Kohl's, the shopping center also houses the following retailers:

Best Buy
Ancher Farms Market
Petco
Michaels
Dick's Sporting Goods
Office Depot
Borders Books
Old Navy
TJ Maxx
Bed Bath & Beyond

GNC
Mens Wearhouse
Payless ShoeSource
Bath & Body Works
Famous Footwear
Pier 1 Imports
Eddie Bauer Outlet
Mattress Firm
Starbuck's Coffee
Claire's Boutiques

Hallmark Cards
Beauty Express
Verizon Wireless
Mattress Firm
Lane Bryant
Ingenious Toystore
Planet Sub
Great Clips
Chipotle

Prior to the recent construction boom Lee's Summit was considered under-retailed, suffering from considerable retail leakage due primarily to a shortage of retail space and a narrow tenant mix. The absence of a deep retail base forced residents to travel outside of Lee's Summit to satisfy much of their shopping needs. The primary shopping alternatives included Independence Center at Interstate 70 and Missouri Highway 291 in Independence, Missouri; the 119th Street Corridor in Overland Park, Kansas; and to a lesser extent Bannister Mall in Kansas City, Missouri.

Retail leakage can be best illustrated through a comparison of per capita retail sales levels and supportable retail space. In 1998, despite a growing population and high income levels Lee's Summit supported well below metro average levels of per capita retail sales and occupied shopping space. Lee's Summit's per capita sales rate of \$9,672 lagged behind the metro average of \$10,675 and the supportable 18 square feet of occupied retail space compared to the metro average of 23 square feet per capita. The recent construction boom has closed the gaps considerably, yielding per capita retail sales close to the metro-wide average and per capita occupied shopping center space comparable to the Kansas City area average of 25 square feet.

Completion of SummitWoods Crossing has allowed the city to recapture a large volume of retail sales which were previously leaking to the neighboring community of Independence as well as across state lines to the 119th Street Corridor in Overland Park, Kansas. Prior to opening of the power center, the only major big-box retailers operating in Lee's Summit were Wal-Mart, Kmart and Office Max.

In an effort to gauge current retail market conditions impacting the Old Town Study Area, a survey was conducted inventorying shopping centers in Lee's Summit in excess of 10,000 square feet. As the table on page 23 indicates, 17 shopping centers were identified totaling 2.06 million square feet of shop space. The majority of existing retail space is housed in neighborhood shopping centers. Of the total inventory of retail space surveyed, an estimated 70,000 square feet is currently unoccupied, translating into a healthy occupancy rate of 3.44 percent. Lease rates range from \$5.00 to \$30.00 per square foot triple net, averaging \$13.36 per square foot.

Approximately ten years ago the Downtown Core of Lee's Summit suffered from high vacancy rates, limited demand for space and low lease rates and property values. Today, the downtown retail market is healthy with no vacant store front space. A total of 110 retail businesses operate in downtown, with restaurants, antique/gift stores, furniture/home furnishings and beauty salons/barbers the most prominent retailers. Existing retailers are independent operators. Third Street is the most prominent retail corridor, followed by Main Street and Douglas Street.

The demand for retail space within the Downtown Core remains strong, as evident by the 13,500 square foot Main Street Center built by Froehlich Pycior Companies which was fully-leased prior to completion at an average lease rate of \$12.00 per square foot triple-net. Despite healthy market conditions, achievable lease rates in the Downtown Core don't compare to in-line shop space within new anchored shopping centers like SummitWoods Crossing (\$18.50 to \$30.00 per square foot). Rents in the Downtown Core must continue to escalate in order to support financially feasible new development.

Lee's Summit Shopping Centers

Map Ref. #	Center Name/ Location	Building Area Sq. Ft.	Vacant Space	Lease Rate	Anchor Tenants
1	SummitWoods Crossing NWC Chipman Road & U.S. 50	721,255	7,596	\$18.50- \$30.00	Lowe's, Target, Kohl's
2	Summit Shopping Center NWC U.S. 50 & O'Brien Road	260,000	2,000	\$5.00 - \$10.00	Eckerd Drug Summit Fitness
3	Cedar Creek Mall SWC 3 rd Street & Ward Road	155,000	0	\$10.00	Hy-Vee Food Store Osco Drug
4	Westside Plaza SEC 3 rd Street & Ward Road	17,688	2,594	\$15.00	Papa Murphy's Pizza
5	NEC 3 rd Street & Blue Parkway	50,000	0	\$10.00	Sugar Plum Street
6	Southside Plaza 806-862 Blue Parkway	57,000	10,500	\$9.50- \$11.50	Jumpin Catfish Restaurant
7	Pinetree Plaza NWC Jefferson Street & U.S. 50	133,137	10,460	\$10.00	Price Chopper
8	Douglas Square Shops Douglas & Mulberry Streets	119,585	2,000	\$17.00	East Glen 16 Theatres
9	Price Chopper Center SWC I-470 & Woods Chapel Road	88,273	0	\$14.50	Price Chopper Cards 'n' More
10	Savannah Square NEC MO Hwy 291 & Mulberry St.	49,000	2,000	\$12.00- \$13.00	Garozzo's Ristorante
11	Deer Brook Plaza	43,000	2,100	\$12.00-	Godfather Pizza

	NEC MO Hwy 291 & Tudor Road				\$14.00	Reece & Nichols Realtors
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Lee's Summit Shopping Centers (Continued)

Map Ref. #	Center Name/ Location	Building Area Sq. Ft.	Vacant Space	Lease Rate	Anchor Tenants
12	Hen House Market Place SEC MO Hwy 291 & Tudor Road	108,000	10,000	\$14.00- \$20.00	Hen House Market
13	Chipman Place NEC MO Hwy 291 & Chipman Road	22,400	3,264	\$15.00	Merle Norman Cosmetics
14	Valle Vista SWC MO Hwy 291 & Chipman Road	42,000	1,500		IGA Market Iowa Paint
15	Summit Springs Shopping Center NEC MO Hwy 291 & 3 rd Street	121,674	9,772	\$10.00	Hobby Lobby Westlake Ace Hardware
16	Summit Square NWC MO Hwy 291 & 5 th Street	16,500	0	\$12.50	CD Warehouse
17	Bayberry Crossing NEC MO Hwy 291 & Bayberry Lane	55,000	7,000	\$10.50	Rent-a-Center Nature's Market
Totals		2,059,512	70,786	\$13.36	
Vacancy Rate			3.44%		

Source: Canyon Research Southwest, Inc.; April 2003.

Lee's Summit Shopping Centers

(Insert Map)

The Downtown Core serves a niche retail market and faces little direct competition from the balance of Lee’s Summit’s retail base. SummitWoods Crossing is occupied by category-specific big-box retailers and poses little direct competition to the Downtown Core. However, construction of a proposed second phase to include a 400,000 square foot lifestyle center could result in increased competition to downtown’s furniture, home furnishings and antique stores. The emergence of a large number of restaurants could also make it more difficult for the Downtown Core to also support a restaurant cluster. The greatest competition appears to originate from the Douglas Square Shops located at the southeast corner of Interstate 470 and Douglas Road approximately two miles north of downtown. This 119,585 square foot shopping center focuses on entertainment uses, including a 16-plex movie theatre and several restaurants & bars. The large clusters of national chain restaurants operating within the Douglas Square Shops, SummitWoods Crossing and along Missouri Highway 291 pose stiff competition for downtown eateries.

3.2.2 Forecast Retail Space Demand

The objective of a retail marketability analysis is to determine the capacity of a particular trade area to increase its inventory of occupied retail space. Retail space demand in Lee’s Summit through 2020 has been forecast to provide insight into future competitive market conditions.

Net demand for retail floor space is a direct function of consumer population and income levels. The July 2002 population for Lee’s Summit of 77,437 residents is forecast to increase to 116,000 by 2020. Using 2000 Census data and adjusting for inflation, the current per capita income level for the Lee’s Summit was estimated at \$23,800. Based on the composition of retail sales within the metropolitan Kansas City area, for the purpose of this analysis, retail expenditures amount to 45 percent of total household income. Based on *Dollars & Cents of Shopping Centers: 2000*, an average retail sales rate of \$225 per square foot was used to quantify future demand for retail space. Based on these market-driven assumptions, the table below provides retail space demand forecasts for Lee’s Summit through 2020.

Projected Retail Space Demand City of Lee’s Summit; 2002 – 2020

	2002	2010	2010
Population	77,437	93,000	116,000
Per Capita Income	\$23,800	\$23,800	\$23,800
Total Personal Income	\$1,843,000,600	\$2,213,400,000	\$2,760,800,000
% Income Spent on Retail			
Goods % Services	45%	45%	45%
Estimated Total Retail Sales	\$829,350,270	\$996,030,000	\$1,242,360,000
Net % Retail Sales Retained	90%	90%	90%
Estimated Retail Sales	\$746,415,243	\$896,427,000	\$1,118,124,000
Average Retail Sales Per Square Foot	\$225	\$225	\$225
Supportable Retail Space (Sq. Ft.)	3,317,401	3,984,120	4,969,440
Required Land Area (FAR of 0.20)	381	457	570

Source: Canyon Research Southwest, Inc.; April 2003.

In 2002, the Lee's Summit population of 77,347 residents generated demand for an estimated 3.32 million square feet of occupied retail space. By 2020, the demand for occupied retail space is forecast to reach nearly 5.0 million square feet as a result of continued population growth. The Cohen Esrey retail survey measured 3.27 million square feet of retail space within Lee's Summit, suggesting the opportunity to effectively support an additional 1.78 million square feet (assumes an average vacancy rate of 7.0 percent) retail development through 2020.

Through 2020, the greatest opportunity for new retail development within Lee's Summit will occur within the Interstate 470 corridor and growing south and southwest quadrants of the city, focusing primarily on anchored shopping centers. The Old Town Study Area is also well positioned to capitalize on the future demand for retail space in Lee's Summit. Development opportunities will concentrate on the redevelopment and maximization of existing retail uses (i.e., Valle Vista Shopping Center at the southwest corner of MO Hwy 291 and Chipman Road) and conversion of non-retail uses (i.e., existing automobile dealerships). The principal retail format in the Downtown Core will include redevelopment of existing freestanding buildings and shop space incorporated into mixed-use projects.

The Old Town Study Area currently supports approximately 17.0 percent of all retail space in Lee's Summit, with the Downtown Core occupying an estimated 8.4 percent of the total inventory. Given the limited inventory of vacant land and an emphasis on redevelopment efforts, maintaining these levels of city-wide retail space through the year 2020 is highly improbable. At a conservative capture rate of 4.0 to 6.0 percent, the Downtown Core is forecast to support an additional 70,000 to 110,000 square feet of retail space over the 2002-2020 period. Meanwhile, the entire Old Town Study Area is forecast to capture 6.0 to 8.0 percent of Lee's Summit's future retail demand, or 110,000 to 140,000 square feet of building area. These capture rates assume 10+ percent of retail sales transacted within the Downtown Core originated from outside of Lee's Summit.

3.3 Retail Site Evaluation Criteria

Shopping center developers and major retailers evaluate potential sites based on a series of site specific criteria. Common site selection criteria include parcel size; visibility; access; parking; trade area demographics and the level of direct competition. The suitability of both the Old Town Study Area and Downtown Core as retail locations was evaluated.

Parcel Size and Dimensions

Feasible development sites generally range in size from 1.0 to 3.0 acres for freestanding retailers and strip shopping centers; 8 to 12 acres for neighborhood shopping centers anchored by a supermarket; 15 to 30 acres for community centers; and 20 to 50 acres for power centers. Each shopping center type also requires a rectangular shape and an orientation towards the most prominent adjacent arterial.

The Downtown Core occupies a confined area with future retail development requiring the assemblage and razing of existing buildings or use of under-utilized properties such as vacant parcels and parking lots. This land acquisition process will not yield development sites sufficient in size to accommodate anchored shopping centers. Rather, smaller infill parcels will facilitate

the construction of small individual retail buildings, with larger assemblages capable of incorporating retail space into mixed-use projects. Third and Main Streets are considered the premier retail corridors with the Downtown Core because of superior exposure, existing traffic patterns and existing concentration of retail space.

Within the entire Old Town Study Area the long-term opportunity exists to accommodate redevelopment and repositioning of existing shopping centers and construction of infill sites with freestanding retailers. The automobile dealerships along Blue Parkway offer the opportunity to support mixed-use development including retail uses.

Visibility

Visibility has a major impact on retail sales volumes. National and regional big-box retailer, restaurant, convenient store and bank chains require major arterial frontage, and generally prefer a section-line corner location. High vehicular traffic counts are also important in generating increased customer and retail sales volumes.

Lee's Summit's Downtown Core serves as a destination retail location with customer exposure not derived by drive-by traffic, but rather the local and regional draw of the existing retail tenant base as well as the downtown population of residents and office workers. Customer exposure can be enhanced through additional housing and employment-related development downtown, increased promotional efforts and public events, and a strengthening of the tenant base to include specialty businesses which operate a larger trade area (i.e., furniture and home furnishing stores).

The Downtown Core is surrounded by three highways which carry high traffic volumes. Average daily traffic volumes range from 44,496 to 46,641 vehicles on Interstate 470; 42,789 to 53,115 vehicles on U.S. 50; and 24,016 vehicles on Missouri Highway 291. These traffic volumes represent an untapped potential to draw more shoppers into the Downtown Core.

The downtown core's existing street system and traffic patterns suggest Second, Third and Douglas Streets serve as the principal thoroughfares, and, therefore possess the most valuable retail locations. Main Street is also a viable retail location, with pedestrian traffic more influential.

For the remainder of the Old Town Study Area, U.S. 50 and Missouri Highway 291 offer the greatest exposure for retail tenants. The large existing retail base supported by both of these major transportation corridors provides the opportunity to facilitated continued development.

Accessibility

The larger the shopping center format the larger the serviced trade area. Therefore, while freestanding retailers and strip and neighborhood shopping centers require adequate local and on-site accessibility, larger community and power centers rely on an efficient regional transportation network which typically includes a mix of major arterials and freeways.

A principal asset for the ability of the Downtown Core to emerge into a local and metro-wide retail destination is superior vehicular accessibility. Interstate 470 provides regional access from Independence and Blue Springs to the north and Johnson County, Kansas to the west. U.S.

Highway 50 and Missouri Highway 291 provide a link to rural communities east and south of Lee's Summit. Direct access points into downtown Lee's Summit include the Douglas Road exit off Interstate 470 from the north; the Third and Jefferson Street exits off U.S. 50 from the west and south; and both Second and Third Streets from Missouri Highway 291 to the east. These access points place a premium on the value of Second, Third, Douglas and Jefferson Streets as potential retail locations.

The premier access locations for retail uses within the balance of the Old Town Study Area include the U.S. 50 interchanges at Chipman Road, 3rd Street and Jefferson Street.

Parking

The ability to offer ample and convenient parking is a critical site issue for all types of retail uses and shopping center types. The parking issue is of particular importance to downtown retailers. By code, new shopping centers and freestanding retailers are required to provide minimum thresholds of on-site parking spaces. Most downtown retailers rely exclusively on off-site parking, and, as a result, perceived and real parking shortages hamper downtown business districts.

The perception is that the Downtown Core of Lee's Summit suffers from a parking shortage. A *Downtown Lee's Summit Traffic and Parking Study* drafted by TranSystems Corporation in March 2003 identified parking needs within the downtown area defined as 2nd Street to the north, 4th Street to the south, Green Street to the east and Jefferson Street to the west. According to the report the existing inventory of on- and off-street parking in downtown is 1,563 spaces.

Existing Supply of Downtown Parking

Location	On-Street	Off-Street	Totals
East of the Railroad	225	715	940
West of the Railroad	129	494	623
Totals	354	1,209	1,563

Source: TranSystems Corporation.

The existing parking demand was inventoried on typical weekdays in November 2002. Inventories were collected during mid-week to avoid unusual fluctuations that may be attributed to weekend activities. At peak demand the overall parking occupancy is 63 percent. East of the railroad line is 62 percent and west of the railroad line is 65 percent. On the whole there is good parking capacity in downtown Lee's Summit. The city block bound by 2nd, 3rd, Douglas and Main Streets has a peak demand (88%) that is higher than generally desired. The adjacent blocks are at adequate levels but they may not be as convenient.

To conclude, downtown current maintains a sufficient inventory of parking spaces. The perceived parking problem may be more of a convenience issue. Potential short-term measures to overcome the parking perception issue include improved directional signage, re-striping and

Canyon Research Southwest, Inc.

uniform public parking design. As redevelopment efforts intensify and downtown becomes more concentrated, providing an increasing stock of public parking spaces will be critical to the health and vitality of businesses.

Trade Area Demographics

In the case of suburban downtown retailers, the most critical demographics include the population and income levels of the city itself. Lee's Summit is a growing, affluent community. The current population of 77,437 is forecast to reach 116,000 by 2020 and 175,000 at community build-out. The average household income of \$60,905 is among the highest within the metropolitan Kansas City area. These demographics are favorable for downtown retailers, and are particularly well suited to support higher-end retailers such as boutique clothing stores, jewelers, personal service businesses and sit-down restaurants.

Direct Competition

The level of direct trade area retailer competition must be determined when evaluating the marketability of a proposed shopping center site or retail location.

The Downtown Core serves a niche retail market and with the exception of restaurants and banks faces little direct competition from the balance of Lee's Summit's retail base. A high concentration of restaurants and banks operate along U.S. 50 and Missouri Highway 291 which offer superior access and exposure. Downtown restaurants and banks survive by catering to a localized niche market rather than a mass market supported by national and regional bank and restaurant chains operating along the area's highways.

Downtown's existing retail mix is also heavily represented by antique shops, gift stores, furniture stores and home furnishing businesses. Direct competition may originate from such regional retail destinations as Independence Center and the 119th Street Corridor in Overland Park, Kansas, as well as such boutique destinations as The Plaza in Kansas City and downtown Parkville located with the metropolitan area's northwest quadrant.

Supermarkets are the principal big-box retailer operating along U.S. 50 and Missouri Highway 291 within the balance of the Old Town Study Area. In addition to Aldi, Price Chopper and IGA Market which operate within the Old Town Study Area, Hen House Market and Hy-Vee stores are located within the U.S. 50 and Missouri Highway 291 corridors. A new Aldi store is now under construction adjacent to Home Depot, with plans to close the existing store at 3rd and Green Streets in the Downtown Core. New supermarket construction generally follows population growth, with the southern and western quadrants of Lee's Summit forecast to support the bulk of future supermarket outlets through 2020.

In recent years major drug store chains have focused on the construction of larger freestanding facilities. No drug stores operate within Old Town Study Area, with just Eckerd Drug and Osco Drug outlets open in close proximity, neither of which are freestanding.

Conclusions

The Downtown Core of Lee's Summit is a viable specialty retail location suitable for such businesses as restaurants, banks, personal services, antiques, unique gifts and crafts, furniture, home furnishings and other unique products. Strong population growth and high income levels provide the opportunity to support higher-end retail businesses. The arterials of Second, Third, Douglas and Jefferson possess premium locations for retail, offering the highest traffic volumes and superior accessibility. Future retail development will take the format of small individual retail buildings and retail space incorporated into mixed-use projects.

The premier locations for retail uses within the balance of the Old Town Study Area include the U.S. 50 interchanges at Chipman Road, 3rd Street and Jefferson Street. The long-term opportunity exists to accommodate redevelopment and repositioning of existing shopping centers and construction of infill sites will freestanding retailers. Because of the growing importance of 3rd and Jefferson Streets as gateways into the Downtown Core, those existing shopping centers possessing the greatest opportunity for future redevelopment include the 50,000 square foot strip center at the northeast corner of 3rd Street and Blue Parkway and Pinetree Plaza at the northwest corner of U.S. 50 and Jefferson Street. The automobile dealerships along Blue Parkway offer the opportunity to support mixed-use development including retail uses.

3.4 Conclusions

Lee's Summit maintains 3.2 million square feet of shopping center space, located primarily along the community's major transportation corridors, Interstate 470, U.S. Highway 50 and Missouri Highway 291. Since 1995 over 3.1 million square feet of retail space (includes freestanding, strip and anchored centers) has been constructed in Lee's Summit. Despite this construction boom, over the past four years the overall vacancy rate has remained well below 6.0 percent. Retail sales in Lee's Summit increased from \$648 million in 1998 to \$838 million for 2002 as a result of new development, increasing population and high income levels.

Prior to the recent construction boom Lee's Summit was considered under retailled, suffering from considerable retail leakage due primarily to a shortage of retail space and a narrow tenant mix. The absence of a deep retail base forced residents to travel outside of Lee's Summit to satisfy much of their shopping needs. The primary shopping alternatives included Independence Center at Interstate 70 and Missouri Highway 291 in Independence, Missouri and the 119th Street Corridor in Overland Park, Kansas.

Retail leakage can be best illustrated through a comparison of per capita retail sales levels and supportable retail space. In 1998, Lee's Summit's per capita sales rate of \$9,672 lagged behind the metro average of \$10,675 and the 18 square feet of occupied retail space compared to the metro average of 23 square feet per capita. The recent construction boom has closed the gaps considerably, yielding per capita retail sales close to the metro-wide average and per capita occupied shopping center space comparable to the Kansas City area average of 25 square feet.

Approximately a decade ago downtown Lee's Summit suffered from high vacancy rates, limited demand for space and low lease rates and property values. Today, the downtown core retail market is healthy with no vacant store fronts. A total of 110 retail businesses operate in downtown, with restaurants, antique/gift stores, furniture/home furnishings and beauty

salons/barbers the most prominent retailers. Existing retailers are independent operators. Third Street is the most prominent retail corridor, followed by Main Street and Douglas Street.

Lee's Summit's Downtown Core is forecast to support an additional 70,000 to 110,000 square feet of retail building area over the 2002-2020 period. The principal retail format in downtown will include infill development of freestanding buildings and shop space incorporated into mixed-use projects. The premier locations for future retail development will include Second, Third, Douglas and Main Streets. However, further commercial encroachment along these arterials into the adjacent residential neighborhoods is not recommended.

Meanwhile, the balance of the Old Town Study Area is forecast to absorb 30,000 to 40,000 square feet of additional retail space through 2020. The premier locations for retail uses within the balance of the Downtown Study Area include the U.S. 50 interchanges at Chipman Road, 3rd Street and Jefferson Street. The long-term opportunity exists to accommodate redevelopment and repositioning of existing shopping centers and construction of infill sites will freestanding retailers. The automobile dealerships along Blue Parkway offer the opportunity to support mixed-use development including retail uses.

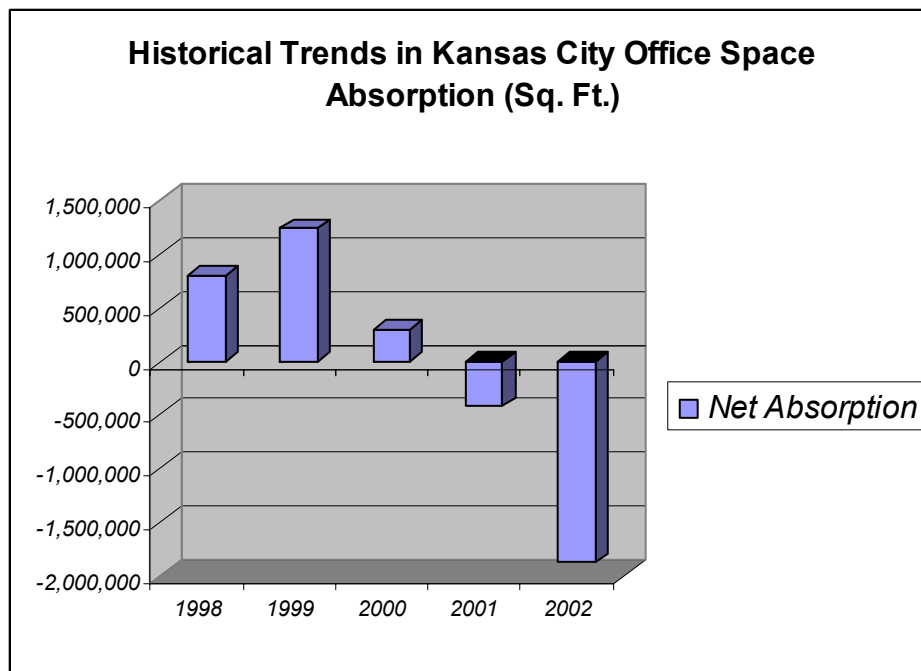
4.0 OFFICE MARKETABILITY ANALYSIS

This section of the report evaluates the marketability of future retail development within both Lee's Summit's Downtown Core and balance of the Old Town Study Area.

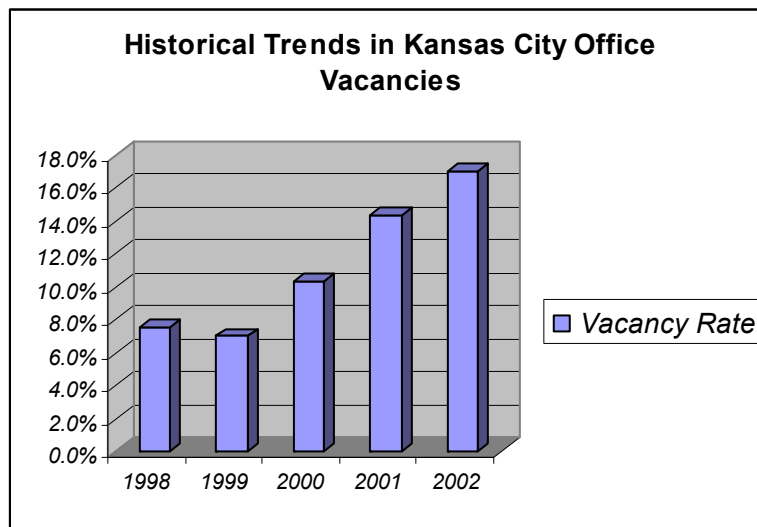
4.1 Metropolitan Kansas City Office Market

The *Kansas City Office Market Index Brief Fourth Quarter 2002* published by CB RichardEllis and the *Second Quarter Kansas City Office Market Report* by Colliers Turley Martin Tucker were consulted to measure historical speculative office market trends within the metropolitan Kansas City area.

By year-end 2002, the metropolitan Kansas City office market contained 1,088 buildings housing 69 million square feet of speculative space. The current inventory includes 14.83 million square feet of Class "A" space; 43.9 million square feet of Class "B" space; and 10.23 million square feet of Class "C" space. During 2002, 32 office buildings were completed, adding 2.42 million square feet of space to the metro inventory. From 1998 to 2000 the speculative office market enjoyed healthy absorption, totaling nearly 2.4 million square feet of newly occupied space. As the local economy weakened negative absorption of 419,000 square feet of space was reported in 2001. This trend accelerated during 2002 with negative absorption of 1.88 million square feet of speculative space. The bulk of negative absorption resulted from the move of Sprint into its new corporate offices in Overland Park and resulting vacancy of nearly 2.0 million square feet of speculative space. Annual trends in net absorption are illustrated by the bar chart below.



The net effect of recent trends in increased new supply and negative absorption has been a continued upward trend in vacancies which started in 2000. By year-end 2002, the metro-wide vacancy rate reached 17.0 percent, up from a low of 7.0 percent in 1999. The bar chart below illustrates annual vacancy rate trends since 1998.



These softening market conditions have produced a recent downward trend in lease rates. For the fourth time in the past five quarters the average gross lease rate declined. By the fourth quarter 2002 the average lease rate dropped to \$18.05 per square foot, down from \$18.45 per square foot during the third quarter. The South Johnson County sub-market garnered the highest average lease rate of \$20.85 per square foot, followed by Plaza/Midtown at \$19.00 per square foot. The Kansas City, Kansas sub-market had the lowest average lease rate of \$11.78 per square foot. The average lease rate for Class “A” space was \$21.81 per square foot.

Despite the eroding market conditions, at year-end 2002 an additional eleven buildings were under construction totaling 1.36 million square feet. Completion of this space will only prolong the market recovery. Another 35 buildings are planned for construction, totaling 4.0 million square feet of leasable space. Current market conditions suggest construction of most this planned office space will be delayed.

The Kansas City office market consists of eight sub-markets. Current market performance for each sub-market is summarized in the table on page 33. Downtown Kansas City no longer represents the metropolitan area’s dominant speculative office hub, with that honor going to South Johnson County with 19.1 million square feet of space. South Johnson County is the home of Sprint’s new corporate campus and since 1995 has led the Kansas City market in net absorption, new construction and lease rates. The Interstate 435 Corridor houses the largest concentration of speculative office space. After achieving single-digit vacancies throughout the second half of the 1990s, continued new construction and the vacating of space by Sprint has produced an upturn in vacancies over the past two years, hitting 15.6 percent by year-end 2002. A total of 427,268 square feet of office space is now under construction. As an office location, South Johnson County benefits from convenient freeway access, high quality of life and a large concentration of well educated, high income households.

Metropolitan Kansas City Speculative Office Market Operating Results by Sub-market; 2002 Q4

Sub-market	Net Rentable Area (SF)	Vacancy Rate	Net Absorption	Space U/C	Average Asking Lease Rate
Downtown	18,580,655	17.91%	-568,152	600,000	\$16.92
East Kansas City	5,047,391	14.84%	63,273	61,000	\$15.10
Kansas City, Kansas	1,770,941	13.81%	0	0	\$11.78
Kansas City North	4,959,730	15.71%	-11,168	10,000	\$17.23
Plaza/Midtown	6,167,633	13.75%	-249,142	320,000	\$19.00
North Johnson County	7,545,307	15.47%	-257,897	0	\$16.89
South Johnson County	19,114,326	15.60%	-360,106	427,268	\$20.85
South Kansas City	5,801,043	27.89%	-495,136	0	\$18.12
Total Market	68,987,026	16.98%	-1,878,328	1,418,268	\$18.05

Source: CB RichardEllis.

The Plaza/Midtown office market south of downtown Kansas City maintains 6.2 million square feet of speculative office space. The overall vacancy rate stands at 13.75 percent with asking rents averaging \$19.00 per square foot. Active construction the 320,000 square foot Plaza Colonnade. The Plaza/Midtown market benefits from an abundance of business and retail services as well as a prestigious image.

The Downtown office market supports 18.58 million square feet of speculative office space with the 600,000 square foot Crown Center now under construction. Vacancies are among the highest in the metropolitan area at 17.9 percent. The average lease rate is \$16.92 per square foot. Negative absorption of over 568,000 square feet was reported for 2002.

To conclude, do to a large overhang of unoccupied space and the pending completion of an additional 1.4 million square feet of space the metropolitan Kansas City speculative office market will remain over built for several years, limiting the opportunity to support short-term development of additional office space. Over the next couple of years vacancies should remain well above market equilibrium and lease rates flat.

4.2 Competitive Office Market Conditions

4.2.1 Existing Inventory

According to the *Kansas City Office Market Index Report* published by CB Richard Ellis, Lee's Summit is situated within the East Kansas City sub-market which includes the communities of eastern Kansas City, Missouri, Independence and Lee's Summit. By the close of 2002, East Canyon Research Southwest, Inc.

Kansas City maintained 5.05 million square feet of speculative office space, or 7.3 percent of the total metropolitan inventory of existing space. The current inventory consists primarily of suburban office product with Class “A” product limited to just 369,205 square feet of space. During 2002 East Kansas City was on the only sub-market to report positive absorption of space, however, the market is over-built with an overall vacancy rate of 14.84 percent. The average lease rate of \$15.10 per square foot is well below the metro average of \$18.05 per square foot. Recent development activity has accelerated within the communities of Independence and Lee’s Summit, with 61,000 square feet of space under construction by year-end 2002.

East Kansas City Speculative Office Market; 2002Q4

<i>Product Type</i>	<i>Net Rentable Area (SF)</i>	<i>Vacancy Rate</i>	<i>Net Absorption</i>	<i>Space U/C</i>	<i>Average Asking Lease Rate</i>
Class A	369,205	42.32%	12,882	0	\$19.43
Class B	3,469,043	13.17%	21,315	61,000	\$15.55
Class C	1,209,143	11.24%	29,076	0	\$12.63
Totals	5,047,391	14.84%	63,273	61,000	\$15.10
Source: CB RichardEllis.					

The Downtown Core of Lee’s Summit serves as a boutique office location, currently housing 48 professional office tenants. Insurance agents, lawyers, accountants and real estate companies represent downtown’s principal tenants. Most office tenants are small, independent firms occupying ground floor shop space, second floor space over retail or converted single family homes. The only significant office buildings are the 2-story Colony Professional Center at 2nd and Douglas Streets; a 1-story building at 2nd and Main Streets and a 1-story building at a 1-story building at 2nd and Market Streets. Additional small office buildings are present at the perimeter of the Downtown Study Area on 2nd, 3rd and Jefferson Streets. Little vacant space exists and rents are generally moderate, in the \$12.00 to \$15.00 per square foot range.

Downtown Core Office Tenant Mix

<i>Tenant Type</i>	<i># of Businesses</i>	<i>% of Total</i>
Insurance	10	20.83%
Lawyers	10	20.83%
Accountants	7	14.58%
Real Estate	4	8.33%
Planner/Architect	2	4.17%
Construction	2	4.17%
Mortgage	1	2.08%
Others	12	25.00%

Totals	48	100.00%
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A survey of speculative office buildings in Lee’s Summit was conducted in an effort to gauge current market conditions impacting both the Downtown Core and balance of the Old Town Study Area. As the table on page 36 indicates, 23 speculative office buildings were surveyed totaling 525,000 square feet of net leasable space. No major concentrations of office space exist, with buildings scattered along the U.S. 50, Missouri Highway 291 and Interstate 470 corridors. The market is dominated by Class “B” and “C” garden office space. The highest quality Class “B+” product is located within new buildings at the Interstate 470 interchanges at Woods Chapel Road and Douglas Street. Recent new office development has been particularly active along the North Interstate 470 Corridor with active construction including Chapel Ridge Corporate Center, Eastport Professional Office Park and Executive Lakes.

Of the total inventory of speculative office space surveyed, an estimated 77,713 square feet is unoccupied, translating into a cumulative vacancy rate of 14.8 percent. Lease rates range from \$10.00 to \$22.00 per square foot, averaging \$15.13 per square foot. Unlike the South Johnson County office market, lease rates in Lee’s Summit have yet to reach the point where the development of Class “A” space is financially feasible.

Six speculative office buildings along 2nd, 3rd and Jefferson Streets were surveyed which are located outside of the Downtown Core, but within the Old Town Study Area. Totaling 101,515 square feet, these buildings are operating at a 12.7 percent vacancy rate. Lease rates range from \$12.00 to \$22.00 per square foot. As the table below illustrates, the tenant mix within these peripheral buildings is more diversified than the Downtown Core, with medical/physicians, insurance agencies, dentists and financial firms representing the principal tenant types.

Peripheral Downtown Office Tenant Mix

<i>Business Type</i>	<i># of Businesses</i>	<i>% of Total</i>
Medical/Physicians	10	24.39%
Insurance	5	12.20%
Dentists	3	7.32%
Financial	3	7.32%
Lawyers	2	4.88%
High Tech	2	4.88%
Hair Salon	2	4.88%
Engineers	2	4.88%
Real Estate	2	4.88%
Title Company	1	2.44%
Employment Agency	1	2.44%
Other	8	19.51%
Totals	41	100.00%

Lee's Summit Speculative Office Buildings

Office Building/ Address	Building Area Sq. Ft.	Vacant Space	% Vacant	Lease Rate
500 Market Center 500 SW Market Street	7,000	0	0.0%	\$14.50
Jefferson Commons 600 SW Jefferson Street	30,000	10,000	33.3%	\$22.00
500 West Business Center 231-251 SW Noel	24,150	0	0.0%	\$12.00- \$13.00
Willow Trace 300 SE 2nd Street	18,432	2,865	15.5%	\$15.00
Westbrooke Business Center 517-529 SE 2nd Street	15,000	0	0.0%	\$13.50- \$14.00
Plaza 3rd Center 694-714 3rd Street	6,933	0	0.0%	\$12.00
Commercial Federal Bank Building 740 NW Blue Parkway	41,000	6,718	16.4%	\$13.00
Parkway Plaza Professional Building 200-216 NW Blue Parkway	9,250	0	0.0%	\$12.50
Parkway Plaza Professional Office Suites 211 NW Executive Way	11,880	2,775	23.4%	\$15.50
Manor Place Executive Way & O'Brien	8,000	6,000	75.0%	\$15.00
401 Professional Building 401 SW Oldham Road	15,000	0	0.0%	\$15.00
Bayberry Business Center 656-688 SE Bayberry Lane	50,000	2,500	5.0%	\$14.00
Bayberry Point Professional Building 620 SE Highway 291	13,020	0	0.0%	\$12.00- \$13.00
Summit Ridge West 905 SE Langsford Road	9,533	1,382	14.5%	\$10.00

**Lee's Summit Office Buildings
(Continued)**

Office Building/ Address	Building Area Sq. Ft.	Vacant Space	% Vacant	Lease Rate
Pinewoods Office Centre 450-510 NE Highway 291	44,900	1,274	2.8%	\$15.46
Grand Business Park I 250 NE Mulberry Street	25,900	0	0.0%	\$20.50
Grand Business Park II 200 NE Mulberry Street	22,455	0	0.0%	\$20.50
Grand Business Park III 1650 NE Grand Avenue	20,487	3,656	17.8%	\$20.50
Tudor Square Executive Business Park 210-300 NE Tudor Road	58,000	5,800	10.0%	\$17.50
Windsor Park Business Center 1200-1270 Windsor Drive	48,000	30,000	62.5%	\$15.00
3651 NE Ralph Powell Road	20,228	0	0.0%	\$18.00
Lakewood Plaza Business Center 800-890 NE Anderson Way	17,631	2,160	12.3%	\$15.00
Summit Harbor Building 920-934 Columbus	8,767	2,583	29.5%	\$15.00
Totals	525,566	77,713	14.8%	\$15.13

Source: Canyon Research Southwest, Inc.; April 2003.

Located along south Jefferson Street, Jefferson Commons and 500 Market Center represent the latest additions to the downtown area office market. The 7,000 square foot 500 Market Center was built in 2001 and is fully occupied at an average lease rate of \$14.50 per square foot. The 3-story, 30,000 square foot Jefferson Commons is the highest quality office building within the downtown area, garnering rents of \$22.00 per square foot. As part of a mixed-use project, Froehlich Pycior Companies is planning 3,000 square feet of office space at 3rd Street in Grand. The space is being marketed at \$11.00 to \$11.50 per square foot net.

Over the past several years the bar has been raised in the Lee's Summit speculative office market with several Class "B+" buildings entering the market commanding lease rates much higher than historically supportable. Despite this upward trend, office space in Lee's Summit doesn't command the high rents supported by South Johnson County, Kansas. As a result of recent construction activity the Lee's Summit office market is currently over built, and with several buildings now under construction the market is anticipated to remain soft for several years.

The future of Lee's Summit as a growing office location will stem from excellent freeway access and exposure, the availability of freeway interchange building sites, ample inventory of executive housing, excellent quality of life including a highly rated school district, continued growth of high-income households (similar to South Johnson County, Kansas) and increased commute drive times into Kansas City's Central Business District.

Challenges facing Lee's Summit as a growing office location include an unproven Class "A" market, current high vacancies, forecast modest speculative space demand, its peripheral location and the ability to support financially feasible development of Class "A" space. Outside of the large firms attracted to the Summit Technology Center, speculative office space demand will continue to be dominated by small, independent companies. These companies are sensitive to lease rates and generally can't afford to occupy Class "A" properties.

The Downtown Core of Lee's Summit serves as a niche office market catering to small, independent firms generally ranging in size from 1,000 to 3,000 square feet. Lease rates generally range from \$12.00 to \$15.00 per square foot. While vacancies are low, the moderate lease rates will make it challenging to foster financially feasible new development.

A major office development at the periphery of the Old Town Study Area worth mentioning is the Summit Technology Campus located at the northeast corner of Chipman Road and Blue Parkway. The 328-acre campus was originally constructed in 1961 to house Bell Labs. The campus consists of three connected buildings totaling 1.3 million square feet of office space. The Middle Building, the central core of the facility, is a 3-story, 275,560 square foot building which currently houses an AT&T call center. The North Building, a research and clean room facility, has 15-foot ceilings and a total floor area of 553,960 square feet. The South Building consists of 484,025 square feet of space which has been completely gutted and remodeled for back office and call center space. Considerable future development of the campus is possible with 200 acres of vacant land remaining.

As an office location the Summit Technology Center benefits from convenient freeway access, ample parking, competitive rents and the availability of shell space allowing for customized space design. The Campus is currently occupied by several tenants, including AT&T, General

Services Administration, LabOne, Caremark, St. Lukes, Fabtech, Inc., eScout.com; Questcor Pharmaceuticals, and Central Missouri State University.

The Summit Technology Campus is designed to accommodate large, technology based firms. This market positioning will not directly compete with the Old Town office market. While some spin-off office space demand may benefit the Old Town office market, the principal future impact of the Summit Technology Campus will include continued job creation and the resulting demand for housing, retail and business services, and hotel rooms in Lee’s Summit.

4.2.2 Office Space Demand Forecasts

Professional office space demand projections for both the metropolitan Kansas City and Lee’s Summit markets through the year 2020 are addressed to provide an understanding of future market conditions directly impacting the Old Town Study Area.

Metropolitan Kansas City Office Space Demand

Demand projections for speculative and owner-occupied office space within the metropolitan Kansas City market through the year 2020 have been calculated utilizing an occupational employment-driven model. This model was designed using the variables of office-related employment growth forecasts published by the Mid-America Regional Council; distribution of speculative and owner-occupied office space; and average space requirements ranging from 200 to 225 square feet per employee (includes gross leasable space consisting of office, bullpen, corridors and common space). Three office space demand scenarios were formulated based on variations of these assumptions.

Office Space Demand Projections Metropolitan Kansas City Market; 2000 – 2020

Year	Employment Growth	Conservative	Moderate	Optimistic
2000-2020	162,068	32,413,600	34,034,280	36,465,300
Annual Average Demand		1,620,680	1,701,714	1,823,265

Source: Canyon Research Southwest, Inc.

Through 2020 the metropolitan Kansas City office market is forecast to absorb 32.4 to 36.5 million square feet of space. These levels of absorption translate into annual average activity of 1.6 to 1.8 million square feet. Approximately 45 percent of the forecast space will be speculative space, with the remaining 55 percent owner-occupied.

Lee’s Summit Space Demand Projections

Based on office-related employment growth forecasts, Lee’s Summit is estimated to absorb 1.4 to 1.57 million square feet of speculative and owner-occupied office space through the year 2020. Based on the availability of development sites, convenient freeway access, centralized location, availability of support services and proximity to the Summit Technology Campus, the Old Town Study Area is anticipated to capture 7.0 to 10.0 percent of all city-wide office space absorption, translating into 100,000 to 160,000 square feet through the year 2020. The Downtown Core is forecast to account for 70,000 to 110,000 square feet of this total.

Office Space Demand Projections Lee’s Summit; 2000-2020

Year	Employment Growth	Conservative	Moderate	Optimistic
2000-2020	6,960	1,392,000	1,461,600	1,566,000
Annual Average Demand		69,600	73,080	78,300

Source: Canyon Research Southwest, Inc.

The Lee’s Summit speculative office market current maintains approximately 77,000 square feet of unoccupied space with two buildings now under construction totaling 33,000 square feet. Assuming speculative space accounts for 45 percent of future office space demand and no further construction, the Lee’s Summit will recover to market equilibrium in approximately two years.

4.3 Office Site Evaluation Criteria

A feasible office building site possesses the following characteristics: excellent location and access; proximity to a large and diverse labor pool; appropriate parcel size and shape; and compatibility with adjacent land uses. The bulk of suburban office space within the U.S. is generally located within a freeway corridor. The feasibility of the both the Downtown Core and balance of the Old Town Study Area as future office locations were evaluated using these industry endorsed criteria.

Location

Lee’s Summit is an affluent bedroom community with a good reputation for a high quality of life and convenient freeway access. Existing office space demand within Lee’s Summit has stemmed from the high concentrations of professionals living in the community. Future office space demand will result from continued housing development and influx of educated professionals. Even then, due to its peripheral location Lee’s Summit is not forecast to emerge as a major professional office location through the year 2020. The Independence Center area is likely to emerge as Eastern Jackson County’s primary office location.

As an office location the Old Town Study Area benefits from its central location within the community and excellent freeway access and visibility. The Downtown Core benefits from its urban setting and availability of a wide range of retail goods and business services.

Proximity to Labor Pool

Studies have proven that firms are most successful in attracting and retaining office workers if the commute time to place of work is less than 30 minutes. Close proximity to executive housing is also important because top management and/or ownership typically decide on where to locate the office.

Lee's Summit possesses a large inventory of executive housing which has helped fuel office demand by small, independent companies which are locally owned. The Lee's Summit labor force maintains above average levels of employment in managerial, business and financial (19.1%); computer and mathematical (4.9%); architectural and engineering (3.0%); legal (1.4%) and other professions (9.2%) which is favorable in generating office space demand for small professional firms. A hurdle in attracting larger corporate tenants is the shortage of affordable housing. To attract and retain clerical and administrative workers, companies many times must offer competitive wages.

Parcel Size and Shape

Most existing office space in Eastern Jackson County consists of 1- to 3-story garden or single tenant office product. The Old Town Study Area maintains available office development sites on Executive Way off U.S. 50 as well as the opportunity for conversion of single family homes on Chipman Road to office use. The automobile dealerships on Blue Parkway also possess the necessary size, access and visibility to support office uses.

The Downtown Core maintains just a small inventory of vacant land suitable for office development. Sites must be manufactured by assembling and razing existing buildings, converting existing retail or residential space or through use of under utilized properties such as surface parking lots. The greatest opportunity to facilitate future office space in the Downtown Core appears be 2nd and 3rd floor space within mixed-use projects.

Surrounding Land Uses

Existing and/or proposed land uses should have the ability to enhance an adjacent site's potential as a professional office location. One of the attractions of the Downtown Core as an office location is its mixed-use urban setting. Downtown supports a mix of retail, professional office, municipal, recreational and housing land uses, all of which complement professional office uses. Meanwhile, available office sites within the balance of the Old Town Study Area benefit from the presence of existing office buildings and the Summit Technology Campus.

4.4 Conclusions

Due to continued strong new construction activity over the past several years and a weakening area economy, the Kansas City speculative office market currently suffers from high vacancies, negative absorption and declining lease rates. All sub-markets are over built. Do to the large overhang of unoccupied space and the pending completion of an additional 1.4 million square feet of space metropolitan Kansas City speculative office market conditions will remain soft over the next several years, limiting the opportunity to support new construction.

Over the past several years the bar has been raised in the Lee's Summit speculative office market with several Class "B+" buildings entering the market commanding lease rates much higher than historically supportable. Despite this upward trend, office space in Lee's Summit doesn't command the high rents supported by South Johnson County, Kansas. As a result of recent construction activity the Lee's Summit office market is currently over built, and with several buildings now under construction the market is anticipated to remain soft for several years.

The future of Lee's Summit as a growing office location will stem from excellent freeway access and exposure, the availability of freeway interchange building sites, amply inventory of executive housing, excellent quality of life including a highly rated school district, continued growth of high-income households (similar to South Johnson County, Kansas) and increased commute drive times into Kansas City's Central Business District.

Challenges facing Lee's Summit as a growing office location include an unproven Class "A" market, current high vacancies, forecast modest speculative space demand, its peripheral location and the ability to support financially feasible development of Class "A" space. Outside of the large firms attracted to the Summit Technology Center, speculative office space demand will continue to be dominated by small, independent companies. These companies are sensitive to lease rates and generally can't afford to occupy Class "A" properties.

The Downtown Core of Lee's Summit serves as a niche office market catering to small, independent firms. Lease rates generally range from \$12.00 to \$15.00 per square foot. While vacancies are low, the moderate lease rates will make it challenging to foster financially feasible new development.

Lee's Summit is forecast to absorb 1.4 to 1.57 million square feet of speculative and owner-occupied office space through the year 2020, translating into an annual average rate of approximately 70,000 to 78,000 square feet. The Old Town Study Area is forecast to garner office space demand of 100,000 to 160,000 square feet through the year 2020 with the Downtown Core accounting for 70,000 to 110,000 square feet.

The Downtown Core's potential as a future office location stems from its mixed-use urban setting, centralized location, convenient access, availability of executive housing and the presence of a large professional labor force. Downtown is an ideal niche location for small, locally owned businesses seeking a unique office setting. However, the demand for speculative office space is limited. To facilitate future office development sites must be manufactured by assembling and razing existing buildings, converting existing retail or residential space or through use of under utilized properties such as surface parking lots. The greatest opportunity to facilitate future office development within the Downtown Core appears be 2nd and 3rd floor space

within mixed-use projects. Office tenants don't require ground floor space, which is better suited for retailers.

Development opportunities for additional office space also exist within the balance of the Old Town Study Area. The northwest quadrant is the most suitable development location, benefiting from the availability of building sites, convenient access to executive housing, excellent freeway access and visibility and close proximity to the Summit Technology Center. Potential redevelopment sites include the automobile dealerships on the east side of Blue Parkway south of Chipman Road as well as the single family homes along the south side of Chipman Road east of Blue Parkway.

5.0 HOTEL MARKETABILITY ANALYSIS

This section of the report evaluates the marketability of future hotel development within both the Lee's Summit's Downtown Core and balance of the Old Town Study Area.

5.1 Metropolitan Kansas City Hotel Market

According to a report published by Horwath Horizon Hospitality Advisors, the metropolitan Kansas City hotel market currently maintains over 27,400 guest rooms. Major concentrations of hotel properties are situated adjacent to Interstate 10 south of the Kansas City International Airport, The Plaza area in Kansas City, Missouri and along Interstate 435 in Overland Park, Kansas.

Throughout the first half of the 1990s the Kansas City hotel market gradually recovered from record low occupancies in the 60 to 61 percent range between 1987 and 1992. By 1996 the market peaked at an occupancy rate of 71 percent. These improving market conditions prompted strong gains in new construction activity. Throughout the second half of the 1990s increased room demand did not keep pace with new additions to supply. Between 1995 and 2001, Kansas City's room inventory grew by 45 percent. By 2000, over building once again produced deteriorating market conditions, marked by declining occupancies to 63 percent.

By 2001 the lodging industry in Kansas City posted its worst year in a decade as occupancy rates slipped to their pre-boom 60 percent levels of 1991-1992. The weak performance of 2001 translated into a modest increase in supply of 2.9 percent to 26,675 total hotel rooms, demand down by 3.0 percent and an overall occupancy rate of 60.7 percent. Only one lodging category reported an increase in occupancy, with economy hotels up nearly 1.0 percent to 58.8 percent for the year. Budget hotels were the hardest hit in 2001, with occupancies dropping 5.0 percentage points to 60.4 percent. Hotels north of the river near Kansas City International Airport posted the year's strongest occupancy rate at 63.5 percent.

In 2002, the Kansas City hotel market continued to deteriorate with the occupancy rate declining further to 59.3 percent. Weaker demand resulted in declines in the average room rate of 1.1 percent to \$71.72 and revenue per available room of 3.4 percent to \$42.55. Despite weakening market conditions the metropolitan supply increased by 2.6 percent. Hotel openings in 2002 included a 125-room Hilton Garden in Overland Park, Kansas; a 196-room Clarion Hotel Airport; the 412-room Overland Park Sheraton and a 78-room Microtel Inn & Suites in Kansas City, Kansas. The Kansas City Speedway in Kansas City, Kansas and a new 237,000 square foot convention center in Overland Park, Kansas are triggering most of the interest in new hotel construction.

Horwath Horizon Hospitality Advisors segments hotel operating data for the metropolitan Kansas City market into four regions. Historical data from 2000 to 2002 is outlined in the table below.

Kansas City Hotel Market Operating Results by Region

Region	Occupancy Rate			Average Daily Rate		
	2000	2001	2002	2000	2001	2002
Kansas City North-Airport	64.4%	62.8%	61.8%	\$64.48	\$65.05	\$64.53
Overland Park-Lenexa	65.6%	62.3%	61.4%	\$70.09	\$70.54	\$69.71
Kansas City - South of River	62.9%	60.1%	58.5%	\$89.50	\$89.38	\$88.01
Missouri Outlying Areas	56.7%	56.4%	54.2%	\$49.46	\$51.15	\$50.99
Metro Total	63.1%	60.7%	59.3%	\$72.75	\$72.51	\$71.72

Source: Horwath Horizon Hospitality Advisors.

Over the past three years all four of Kansas City's sub-markets reported declining operating results. The hardest hit was Kansas City - South of the River where the occupancy rate dropped 4.4 percentage points and the average daily rate declined by 1.7 percent. The Overland Park-Lenexa sub-market also reported significant declines in both occupancy and average daily rates.

Lee's Summit is located within the Missouri Outlying Areas sub-market which consists primarily of the suburban communities of Independence, Blue Springs and Lee's Summit. These communities have experienced considerable new hotel construction along Interstates 70 and 470. The principal hub of existing hotels is located adjacent to the Independence Center regional mall at Interstate 70 and Missouri Highway 290. New properties consist largely of economy and mid-price hotels. This sub-market is Kansas City's most overbuilt. The overall occupancy rate has declined from 56.7 percent in 2000 to just 54.2 percent by 2002. Average daily rates are the lowest metro-wide, reported at \$50.99 during 2002. These soft operating results suggest little or no short-term opportunity exists for the construction of new hotel properties. No hotels are currently under construction with a 156-room Hampton Inn reported planned for development within Hartman Heritage Center at Interstate 70 and Little Blue Parkway.

During 2001, Kansas City's luxury hotel segment was the healthiest, operating at an occupancy rate of 65.4 percent and an average daily rate of \$105.95. Meanwhile, the mid-price and economy segments operated at well below average occupancy and average daily rate levels. It is these market segments which have experienced the bulk of new construction activity since 1995.

For 2002, operating results deteriorated for all hotel segments. The upscale, mid-price and budget market segments were the most adversely impacted, reporting sharp declines in both occupancies and room rates. While declining slightly, the luxury segment remained the healthiest with an average occupancy rate of 65.3 percent and an average room rate of \$103.50. New supply increased by 2.4 percent with demand increasing 2.3 percent. Mid-price (4.8%) and upscale (3.8%) reported the largest gains in new supply. The table on the following page provides a comparison of operating data by hotel segment for 2002 versus 2001.

Kansas City Hotel Operating Results by Product Type 2002 vs. 2001

	Occupancy			Average Daily Rate			New Supply
	2002	2001	% Change	2002	2001	% Change	
<u>Price Segment</u>							
Luxury	65.3%	65.4%	-0.2%	\$103.50	\$105.95	-2.3%	2.4%
Upscale	57.7%	59.5%	-3.0%	\$74.60	\$75.20	-0.8%	3.8%
Mid-Price	55.6%	57.3%	-3.0%	\$63.22	\$63.24	0.0%	4.8%
Economy	56.3%	58.0%	-2.9%	\$46.45	\$47.43	-2.1%	0.9%
Budget	56.5%	59.9%	-5.7%	\$38.89	\$40.14	-3.1%	-0.4%
Metro Average	59.3%	60.7%	-2.3%	\$71.72	\$72.51	-1.1%	2.6%

Source: Horwath Horizon Hospitality Advisors.

The short-term outlook for the Kansas City hotel market is one of a slow gradual recovery. During 2003, parallel increases in the growth of new supply and room demand is forecast, yielding stable occupancies and average daily rates. It may take several years before the Kansas City hotel market fully recovers.

5.2 Competitive Hotel Market Conditions

Missouri Outlying Areas Sub-market

As mentioned earlier, Lee's Summit is located within the Missouri Outlying Areas hotel market. Key hotel room demand generators for this hotel market include Interstates 70 and 470 and area employers. Historical operating data is provided in the table below.

Missouri Outlying Areas Recent Hotel Trends

Year	Occupancy Rate	Average Daily Rate	Revenue Per Available Room	% Change	
				Supply	Demand
2000	56.7%	\$49.46	\$28.04	--	--
2001	56.4%	\$51.15	\$28.83	6.2%	5.5%
2002	54.2%	\$50.99	\$27.62	4.2%	0.1%

Source: Horwath Horizon Hospitality Advisors.

Consistent with metro-wide trends, in recent years the Missouri Outlying Areas sub-market supported accelerated new hotel construction. Room demand, however, did not keep pace with new additions to supply, resulting in steady declines in occupancy and revenue per available room levels. The average occupancy rate dropped from 56.7 percent in 2000 to 54.2 percent by 2002. For 2002, the Missouri Outlying Areas sub-market was Kansas City’s worst performing hotel segment, operating at well below metro norms for occupancy, average daily rates and revenue per available room. Current market conditions suggest short-term hotel development is not financially feasible.

Competitive Hotel Properties

The table on the following page identifies the inventory of major hotel properties within Lee’s Summit. Eight hotel properties are currently operating in Lee’s Summit, all of which are located adjacent to Interstate 470, U.S. 50 and Missouri Highway 290. The existing hotel properties maintain a total inventory of 571 guest rooms. Individual properties range in size from 52 to 109 rooms. No major concentration of hotels exists with properties scattered throughout the city.

The Lee’s Summit hotel industry supports a narrow mix of hotel products, including one economy property and seven mid-price properties. Several major chains operate properties, the most notable including Hampton Inn, Fairfield Inn by Marriott, Holiday Inn Express and Comfort Inn. Considerable new supply has entered the market over the past several years, with construction gravitating along Interstate 470. New hotel properties include Hampton Inn, Holiday Inn Express and Baymont Inn.

Seven mid-price hotels operating within Lee’s Summit account for 89 percent of the total competitive inventory. Property amenities typically include a swimming pool, fitness center, meeting space and a continental breakfast. Room rates range from \$67.00 to \$84.00 for standard room and \$84.00 to \$129.00 for suites.

The 61-room Super 8 is the only budget/economy hotel operating in Lee’s Summit. The hotel caters primarily to price sensitive leisure and business travelers. Daily room rates range from \$55.50 to \$64.89.

**Lee’s Summit Hotels
Inventory by Product Type**

Hotel Product	# of Hotels	Room Inventory
Luxury	0	0
Upscale	0	0
Mid-Price	7	510
Budget/Economy	1	61
Totals	8	571

Survey of Lee's Summit Hotel Properties

Hotel Property / Address	# of Rooms	Pool	Fitness Center	Meeting Space	Continental Breakfast	Daily Room Rate
<u>Budget / Economy Hotels</u>						
Super 8 963 SE Oldham Parkway	61	X	X		X	\$55.50 - \$64.89
<u>Mid-Price Hotels</u>						
Holiday Inn Express 4825 NE Lakewood Parkway	75	X	X	X	X	\$67.00 - \$79.00 \$84 - \$109 Suites
Baymont Inn 3701 Ralph Powell Road	76	X	X		X	\$84 Standard \$94 - \$129 Suite \$159 2-Room Suite
Hampton Inn 1751 NE Douglas Street	109	X	X	X	X	\$74 Standard \$129 King Jacuzzi
Summit Inn & Suites 625 NW Murray Road	78					
Comfort Inn 607 SE Oldham Parkway	52	X			X	\$69.99 - \$79.99
Sleep Inn 1020 SE Blue Parkway	63	X			X	\$67 - \$79 Standard \$84 - \$109 Suites
Fairfield by Marriott 1301 NE Windsor Drive	57	X			X	\$69.99 Standard \$79.99 King Room

Notes: Daily rates are winter season 2003.
Source: Canyon Research Southwest, Inc.

The existing hotels cater primarily to leisure and business travelers. The hotel properties maintaining meeting space also market to small groups and conferences. No hotel properties operate within downtown Lee's Summit. This is due primarily to the absence of freeway or highway frontage. Several existing properties are close enough to downtown to current serve any lodging demand generated by business and tourism activities downtown. The closest properties include Hampton Inn to the north at Interstate 70 and Douglas Road; Fairfield Inn by Marriott to the east along Missouri Highway 290; and Summit Inn & Suites to the west at U.S. 50 and Chipman Road.

5.3 Forecast Hotel Room Demand

Five-year supply and demand conditions for the Lee’s Summit hotel market have been forecast in an effort to quantify the future need for additional hotel rooms. According to conversations with several hotel operators, the existing hotels in Lee’s Summit appear to be operating at a cumulative occupancy rate in the 50 to 55 percent range. No hotel properties are currently under construction and scheduled for completion by year-end 2003.

Forecast Lee’s Summit Hotel Market Conditions; 2002-2006

Year	Daily Room Inventory	Annual Available Room Nights	Projected Annual Room Demand	Occupancy Rate
2002	571	208,415	114,600	55.0%
2003	571	208,415	115,750	55.5%
2004	571	208,415	117,500	56.4%
2005	571	208,415	119,850	57.5%
2006	571	208,415	122,600	58.8%

Source: Canyon Research Southwest, Inc.

Average occupancy levels and revenue per available room are presently insufficient to support economically feasible new hotel construction within Lee’s Summit. The short-term prospects for new hotel construction in Lee’s Summit are also not favorable. However, as the existing properties achieve stabilized occupancies and the local business community and population continues to grow, the long-term demand for additional hotel rooms will materialize. The size and composition of the Lee’s Summit employment and population base forecast for 2020 suggests at an average stabilized occupancy rate of 70 percent an additional 400 to 500 hotel rooms are warranted over the next 17 years. The most appropriate location for future hotel development is within the Interstate 470 corridor.

5.4 Hotel Site Evaluation

The competitive market strengths and weaknesses of downtown Lee’s Summit have been examined to determine the probability of supporting future hotel development

A. Is the site accessible from major highways and arterial roadways?

Freeway frontage is particularly important for budget, economy and limited-service hotels, providing a much needed marketing window. The Old Town Study Area is conveniently accessible and visible from U.S. 50 and Missouri Highway 290. The Downtown Core lacks frontage onto these highways.

B. Is the potential hotel site near and accessible to hotel room demand generators?

The primary sources of hotel room demand for existing properties in Lee's Summit include: 1) leisure travelers and 2) corporate and business travelers. The portion of the Old Town Study Area fronting U.S. 50 is best positioned to capture existing hotel room demand. Due to the distance from area highways and employment centers along Interstate 470 and U.S. 50, the Downtown Core isn't conveniently accessible to existing hotel demand generators.

C. Is the potential hotel site in close proximity to existing hotel properties?

Existing hotels in Lee's Summit are scattered throughout the community along Interstate 470, U.S. 50 and Missouri Highway 290. No existing hotels are located in close proximity to the Downtown Core. Summit Inn & Suites, Comfort Inn, Super 8 and Sleep Inn located within the U.S. 50 corridor are located at the perimeter of the Old Town Study Area.

D. Are the site's physical characteristics suitable for hotel development?

Necessary infrastructure is available throughout the Old Town Study Area. A 1.5- to 3.0-acre site is typically sufficient to accommodate development of a budget, limited-service or full-service hotel. Manufacturing a suitable site in the Downtown Core for hotel development may be difficult and cost prohibitive. A bed & breakfast or small boutique hotel may be alternatives for downtown. The greatest opportunity to support future hotel development would be at the fringe of the Old Town Study Area along the U.S. 50 frontage. The most appropriate locations would be at the intersections of Chipman Road, 3rd Street or Jefferson Street.

Based on lodging industry site requirements the opportunity is limited to support future hotel development in the Downtown Core. Downtown lacks a freeway location and a major hotel room demand generator such as a convention center or large employment base. Even by the year 2020 the downtown employment base will not likely be sufficient to support a major chain hotel property. Lodging alternatives include a small boutique hotel or bed & breakfast.

All the existing hotel properties in Lee's Summit possess a highway location. Lodging industry requirements suggest future hotel development in Lee's Summit will follow historical patterns. Therefore, U.S. 50 appears to possess the greatest opportunity to support future hotel development within the Old Town Study Area. The most appropriate locations along U.S. 50 would be at the intersections of Chipman Road, 3rd Street or Jefferson Street. These potential sites offer the necessary highway exposure and accessibility to support a chain hotel.

5.5 Conclusions

Throughout the first half of the 1990s the Kansas City hotel market gradually recovered from record low occupancies in the 60 to 61 percent range between 1987 and 1992. By 1996 the market peaked at an occupancy rate of 71 percent. These improving market conditions prompted strong gains in new construction activity. Throughout the second half of the 1990s increased

room demand did not keep pace with new additions to supply. Between 1995 and 2001, Kansas City's room inventory grew by 45 percent. By 2000, over building once again produced deteriorating market conditions, marked by declining occupancies to 63 percent.

By 2001 the lodging industry in Kansas City posted its worst year in a decade as occupancy rates slipped to their pre-boom 60 percent levels of 1991-1992. The weak performance of 2001 translated into a modest 2.9 percent increase in supply to 26,675 total guest rooms, a 3.0 percent decline in room demand and an overall occupancy rate of 60.7 percent. Only one lodging category reported an increase in occupancy, with economy hotels up nearly 1.0 percent to 58.8 percent for the year.

In 2002, the Kansas City hotel market continued to deteriorate with the occupancy rate declining further to 59.3 percent. Weaker demand resulted in declines in the average room rate of 1.1 percent to \$71.72 and revenue per available room of 3.4 percent to \$42.55. Despite weakening market conditions the metropolitan supply increased by 2.6 percent to approximately 27,500 rooms.

The short-term outlook for the Kansas City hotel market is one of a slow gradual recovery. During 2003, parallel increases in the growth of new supply and room demand is forecast, yielding stable occupancies and average daily rates. It may take several years before the Kansas City hotel market fully recovers.

Lee's Summit is located within the Missouri Outlying Areas sub-market which consists primarily of the suburban communities of Independence, Blue Springs and Lee's Summit. These communities have experienced considerable new hotel construction along Interstates 70 and 470. New properties consist largely of economy and mid-price hotels. This sub-market is Kansas City's most overbuilt. The overall occupancy rate has declined from 56.7 percent in 2000 to just 54.2 percent by 2002. Average daily rates are the lowest metro-wide, reported at \$50.99 during 2002. These soft operating results suggest little or no short-term opportunity exists for the construction of new hotel properties.

Eight hotel properties totaling 571 rooms are currently operating in Lee's Summit, all of which are located adjacent to Interstate 470, U.S. 50 and Missouri Highway 290. The Lee's Summit hotel industry supports a narrow mix of hotel products, including one economy property and seven mid-price properties. Considerable new supply has entered the market over the past several years, with construction gravitating along Interstate 470. New hotel properties include Hampton Inn, Holiday Inn Express and Baymont Inn.

Average occupancy levels and revenue per available room are presently insufficient to support economically feasible new hotel construction within Lee's Summit. The short-term prospects for new hotel construction in Lee's Summit are also not favorable. However, as the existing properties achieve stabilized occupancies and the local business community and population continues to grow, the long-term demand for additional hotel rooms will materialize. The size and composition of the Lee's Summit employment and population base forecast for 2020 suggests at an average stabilized occupancy rate of 70 percent an additional 400 to 500 hotel rooms are warranted over the next 17 years. The most appropriate location for future hotel development is within the Interstate 470 corridor.

Based on lodging industry site requirements the opportunity is limited to support future hotel development in the Downtown Core of Lee's Summit. Downtown lacks a freeway location and a major hotel room demand generator such as a convention center or large employment base. Even by the year 2020 the downtown employment base will not likely be sufficient to support a major chain hotel property. Lodging alternatives include a small boutique hotel or bed & breakfast, with a modest demand for 10 to 15 guest rooms forecast.

All the existing hotel properties in Lee's Summit possess a highway location. Lodging industry requirements suggest future hotel development in Lee's Summit will follow historical patterns. Therefore, U.S. 50 appears to possess the greatest opportunity to support future hotel development within the Old Town Study Area. The most appropriate locations along U.S. 50 would be at the intersections of Chipman Road, 3rd Street or Jefferson Street. These potential sites offer the necessary highway exposure and accessibility to support a chain hotel. Through 2020, sufficient demand is forecast to support development of one hotel property of 50 to 80 rooms.

6.0 RESIDENTIAL MARKETABILITY ANALYSIS

This section of the report evaluates the potential for both the Old Town Study Area and Downtown Core to support development of for-sale and rental attached housing.

6.1 Lee's Summit Housing Market Overview

Historical Construction Activity

Fueled by strong population growth and attractive mortgage rates, since 1992, 12,937 residential dwelling units have been permitted for construction in Lee's Summit. Recent residential construction peaked in 2000 with the issuance of permits for 1,244 dwelling units. Residential construction rebounded strongly during 2002 with the permitting of 1,003 dwelling units.

Since 1992 single family homes have accounted for 87 percent of total residential permitting activity with 11,200 homes constructed. The average cost of single family construction has escalated considerably during recent years, increasing from \$99,898 per home in 1997 to \$152,866 per home by 2002. This trend suggests larger, more expensive homes are now being constructed in Lee's Summit and supports the fact that Lee's Summit is considered an affluent suburban community.

By the second half of 1996 interest rates began to trend downward, dropping below 6.0 percent by 2002, the lowest level in 30 years. These attractive mortgage rates prompted strong single family housing construction in Lee's Summit. As outlined in the table below, since 1997 annual permitting activity has remained in the 680 to 887 dwelling unit range.

Lee's Summit Residential Construction Trends; 1992-2002

Year	Housing Units Permitted for Construction				Total SF Valuation	Average Value Per SF Home
	Single Family	Duplex	Multi-Family	Total Units		
1990	604	8	78	690	n/a	n/a
1991	717	12	20	749	n/a	n/a
1992	965	26	4	995	n/a	n/a
1993	994	14	34	1,042	n/a	n/a
1994	1,140	18	132	1,290	n/a	n/a
1995	998	38	8	1,044	n/a	n/a
1996	1,114	42	40	1,196	n/a	n/a
1997	727	114	64	905	\$72,626,070	\$99,898
1998	802	100	128	1,030	\$83,070,464	\$103,579
1999	824	46	74	944	\$88,327,412	\$107,193
2000	680	40	524	1,244	\$81,591,486	\$119,987
2001	748	16	41	805	\$88,169,684	\$117,874
2002	887	40	76	1,003	\$135,591,824	\$152,866
Totals	11,200	514	1,223	12,937		

Source: City of Lee's Summit Planning Department.

As illustrated by the table below, since 1990 the western and eastern quadrants of Lee’s Summit (Council Districts 2 and 4, respectively) have accommodated the bulk of new single family construction. The western quadrant (Council District 2) is best positioned to accommodate the bulk of short-term new home construction with an inventory of 2,114 platted lots. Over the long-term the southern and western quadrants of Lee’s Summit (Council Districts 1 and 2, respectively) will host most of the city’s population growth and new home construction activity. These future urban growth trends should increase the importance of the Jefferson and 3rd Street gateways into the Downtown Core.

Historical Single Family Permitting Levels By Council District; 1990-2001

Year	District 1	District 2	District 3	District 4	Totals
1990	66	222	96	220	604
1991	78	142	118	378	716
1992	76	262	150	477	965
1993	58	302	94	542	996
1994	34	404	211	491	1140
1995	130	330	175	363	998
1996	174	376	262	302	1114
1997	133	253	158	183	727
1998	185	238	200	179	802
1999	186	348	145	145	824
2000	99	312	149	199	759
2001	77	425	135	111	748
Totals	1,296	3,614	1,893	3,590	10,393
Vacant Platted Lots	488	2,114	489	571	3,662

Source: City of Lee’s Summit Planning Department.

The boundaries of Council Districts 1 and 3 fall within the Old Town Study Area. The Downtown Core falls within Council District 1.

Housing Inventory

According to the 2000 Census, the housing stock in Lee’s Summit totals 27,392 dwelling units. The existing housing stock consists predominantly of single family homes which account for 74.8 percent, or 20,490 dwelling units. By comparison, single family homes comprise 71.9 percent of the total metropolitan Kansas City housing stock. Townhouses also comprise a slightly higher share of the housing stock in Lee’s Summit, 6.0 percent compared to 4.8 percent in the metro area. Lee’s Summit is only slightly below the metro area in its share of multi-family units, consisting of 19.1 percent of the housing inventory compared to 21.2 percent in the metro area.

Lee's Summit Housing Inventory by Unit Type

Housing Type	City of Lee's Summit		Kansas City MSA	
	Total Units	% of Total	Total Units	% of Total
Single Family	20,490	74.8%	515,776	71.9%
Townhouse	1,641	6.0%	34,498	4.8%
Multi-Family	5,228	19.1%	152,049	21.2%
Mobile Home	33	0.1%	15,186	2.1%
Other	0	0.0%	249	0.0%
Totals	27,392	100.0%	717,758	100.0%

Source: 2000 Census.

According to the *Lee's Summit Statistical Profile*, as of July 1, 2002, 67 residential subdivisions were active within Lee's Summit. The western and southern quadrants of the city support the majority of active subdivisions. The preliminary plats for the 67 active subdivisions call for a total of 9,714 residential dwelling units at build-out. By June 1, 2002, 6,052 dwelling units had been constructed, leaving 3,662 preliminary platted lots available for future new home construction. Home prices range from approximately \$125,000 to \$1.1 million.

The largest active residential communities include the Lakewood area and Raintree Lake. Lakewood maintains about 2,200 existing homes while the 1,010-unit Raintree Lake nearing build-out. Eagle Creek is planned for 743 housing units and is in the early stages of development. Other large subdivisions nearing completion include Oaks Ridge Meadows planned for 780 townhouse units and 624 single family homes, and Winterset Park with 576 single family homes.

The most notable planned development in Lee's Summit is New Longview, a 260-acre neo-traditional mixed-use community located at the historic Longview Farm. Plans call for 1,100 residential dwelling units including a mix of single family homes, townhouses, flats, cottages and apartments. A Village Center will house over 300,000 square feet of commercial space, a school and cultural center. Several of the historical structures will be retained and incorporated into the community. New Longview will attempt to re-create much of the same urban environment now present within the Downtown Study Area featuring residential neighborhoods with a mix of housing types and a pedestrian-oriented commercial district.

Housing Values

According to the 2000 Census, the median housing value in Lee's Summit of \$131,500 was 22.3 percent greater than the metropolitan average of \$107,494. For the decade of the 1990s the median value of a home in Lee's Summit appreciated at an average annual rate of 5.6 percent. This compared to the metro average of 1.8 percent per year. In fact, during the decade the median home price in Lee's Summit eclipsed the metro norm. In 1990 the median home value in the Kansas City area amounted to \$91,200 compared to \$84,100 for Lee's Summit. By 2000, the median home value of \$131,500 for Lee's Summit exceeded the metro norm of \$107,494.

Homes valued under \$100,000 account for just 23.6 percent of the entire stock of owner-occupied homes in Lee's Summit. As a percentage of the entire housing stock this represents less than half of the metro norm. An estimated 47.3 percent of Kansas City area homes are valued under \$100,000. Moreover, 17.0 percent of homes in Lee's Summit are valued at \$200,000 and above, compared to the metro average of just 12.4 percent. This housing value distribution suggests that entry-level housing is in short supply within Lee's Summit.

Housing Value Distribution (2000)

	Lee's Summit		Kansas City MSA	
	Housing Units	% of Total	Housing Units	% of Total
Under \$100,000	4,438	23.6%	197,526	47.3%
\$100,000 - \$149,999	7,708	41.0%	113,641	27.2%
\$150,000 - \$199,999	3,442	18.3%	54,842	13.1%
\$200,000 - \$299,999	2,214	11.8%	34,256	8.2%
\$300,000+	982	5.2%	17,738	4.2%
Totals	18,784	100.0%	418,003	100.0%

Source: 2000 Census.

The table below highlights annual home sales activity in Lee's Summit by price range from 1996 to 2001. During the 5-year period from 1996 to 2000 annual sales volumes ranged from 337 to 534 homes. The sale of entry-level homes priced under \$150,001 declined noticeably from 241 homes in 1996 to just 34 homes in 2000. Conversely, the rate of sales for homes priced over \$200,000 continued to escalate. As mortgage rates continued to fall, home sales quadrupled to 1,665 homes during 2001. The sale of homes priced at under \$150,001 jumped to 650 homes for 2001 as lower income households were able to participate in the housing market due to low mortgage rates.

Housing Units Sold in Lee's Summit by Price Range

Price Range	1996	1997	1998	1999	2000	2001	Totals
Under \$100,000	46	6	1	4	0	109	166
\$101,000 - \$150,000	195	264	166	101	34	541	1,301
\$151,000 - \$200,000	62	123	139	154	236	478	1,192
\$201,000 - \$250,000	21	70	94	107	120	276	688
\$251,000 - \$300,000	7	47	54	64	65	139	376
\$301,000 - \$350,000	3	13	21	21	26	54	138
\$351,000 - \$400,000	3	6	8	7	14	32	70
\$401,000 - \$450,000	0	4	5	1	6	14	30
\$451,000 - \$500,000	0	1	0	0	1	7	9
\$500,000+	0	0	1	1	2	15	19
Totals	337	534	489	460	504	1,665	3,989

Source: Homebuilders Association of Greater Kansas City.

Since 1996, homes priced from \$101,000 to \$200,000 accounted for nearly two-thirds of all homes sold within Lee's Summit. Over the period from 1996 to 2001 the volume of homes priced in excess of \$200,000 continued to grow, accounting for one-third of all home sales. Homes priced from \$200,000 to \$300,000 reported the largest gains in sales activity.

The Lee's Summit CHAT Report dated December 2001 assessed housing needs and strategies that will enable the community to increase overall production of housing and help define future community development directions. The text below highlights the report's major findings:

- High land acquisition and development costs in Lee's Summit make it extremely difficult for builders to deliver starter homes. Instead, builders focus primarily on constructing high cost housing.
- Housing in and around downtown, often making use of underutilized sites, is a potential part of a downtown development strategy, having the ability to reinforce the quality of downtown as a mixed use neighborhood as well as retail district. Urban housing on these sites can help combine the value of affordability with the strengthening of a vital town center.
- Lee's Summit has been administering a local Community Development Block Grant program for about five years. Beyond that, the city lacks a housing development capacity.
- From 2000 to 2010 the demand for an additional 13,671 housing units is forecast for Lee's Summit. The housing mix is estimated at 10,254 owner-occupied units and 3,417 rental units. The greatest demand for owner-occupied housing is for product priced at \$200,000 and more, totaling 4,383 dwelling units, or 42.7 percent of total demand. However, substantial demand for affordable housing is also expected to materialize, including 1,273 dwelling units priced from \$65,000 to \$90,000 and 1,573 dwelling units priced from \$90,000 to \$135,000. Of the forecast 3,417 new occupied rental units through 2010, just 42 percent are estimated to be market-rate product. A strong demand is anticipated for tax credit and affordable rental units.

Conclusions

In the past several years the Lee's Summit new housing market has remained healthy as mortgage rates hit 30-year lows and population growth remained steady. The bulk of new housing construction has focused on high-end product priced in excess of \$200,000. During the next couple of years the new housing market is forecast to remain active as the area's economy begins to recover. Annual single family permitting levels in the 800 to 1,000 dwelling unit range are projected. The average sales price for new housing is anticipated to escalate at a rate exceeding inflation as land and construction costs increase and the move-up segment of the market remains active. The western and southern quadrants of Lee's Summit are expected to continue to capture the largest shares of new construction and sales activity.

6.2 Competitive Housing Market

This section of the report briefly discusses active residential development within the Old Town Study Area. For-sale housing, apartment and senior housing product will be discussed.

For-Sale Housing

The entire Old Town Study Area is located within Zip Code 64063, which also extends east of Missouri Highway 291 between Langsford Road and U.S. 50. Historical home sales volumes by price range for Zip Code 64063 are summarized in the table below.

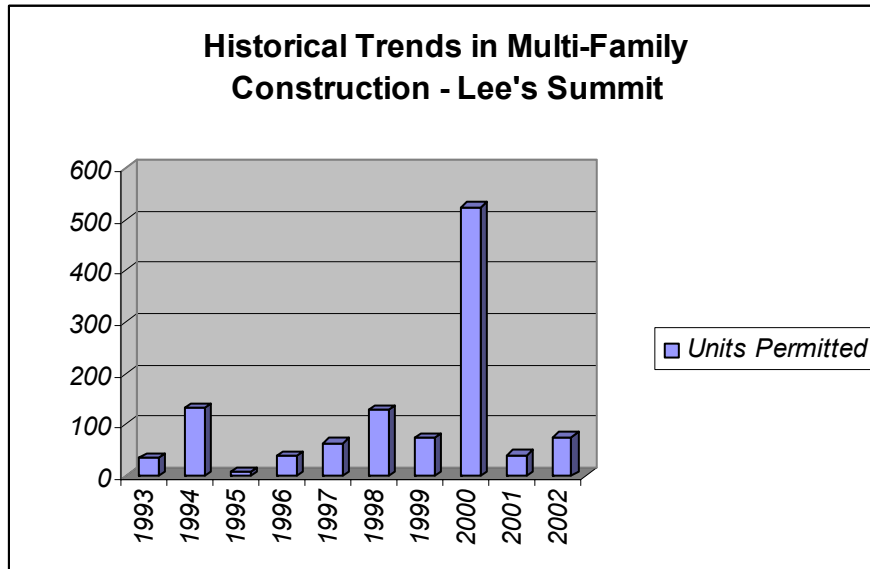
**Housing Units Sold by Price Range
Zip Code 64063 (Downtown Study Area)**

Price Range	1998	1999	2000	2001
Under \$100,000	0	2	0	81
\$101,000 - \$150,000	49	31	16	203
\$151,000 - \$200,000	27	20	28	68
\$201,000 - \$250,000	10	13	11	30
\$251,000 - \$300,000	0	2	1	8
\$301,000 - \$350,000	0	0	4	4
\$351,000 - \$400,000	0	0	2	2
\$401,000 - \$450,000	0	0	0	0
\$451,000 - \$500,000	0	0	0	0
\$501,000+	0	0	0	0
Total Sales	86	68	62	396
Average Price	\$159,142	\$167,448	\$192,573	\$138,505
<i>Source: Homebuilders Association of Greater Kansas City.</i>				

From 1998 to 2001 a total of 612 homes sold within Zip Code 64063. Sales activity boomed in 2001 with 396 homes closing escrow. Entry-level housing accounted for much of this sales boom as young families and singles were able to purchase homes due to low mortgage rates. Over the past four years nearly three-quarters of the housing sold was priced from \$100,000 to \$200,000. Homes priced from \$200,000 to \$400,000 accounted for just 14.2 percent of all home sales. The larger historic homes accounted for most of the higher priced sales.

Competitive Apartment Properties

Multi-family housing product accounts for 19.1 percent of the Lee's Summit housing stock, or 5,228 dwelling units. By comparison, the multi-family sector accounts for 21.2 percent of the total Kansas City metropolitan area housing stock. Over the past ten years 1,121 apartment units have been constructed within Lee's Summit, or just 10.7 percent of all new home construction.



The Downtown Study Area housing market consists primarily of detached single family homes. In recent years a growing stock of duplexes has emerged. However, absent are large-scale Class “A” or “B” apartment properties. In an effort to gauge unit features, community amenities and market rents for new apartment product, this competitive analysis surveyed existing large-scale apartment communities within Lee’s Summit. One small rental community recently constructed within the Downtown Study Area was also included in the competitive survey.

As the table on the following page indicates, five large-scale apartment properties were surveyed in Lee’s Summit, maintaining a total inventory of 1,054 dwelling units. The properties are scattered with the largest concentration located in the vicinity of Chipman Road and Independence Avenue. The surveyed apartment properties are rated as Class “A” and “B” product. One property operates an affordable housing program. The properties range in size from 124 to 432 dwelling units, averaging 211 units.

**Survey of Competitive Apartment Properties
Lee's Summit, Missouri**

Property Name/ Address	# of Units	Unit Type	Livable Area Sq. Ft.	Monthly Rent	Rent Per Sq. Ft.
AML at Summit Ridge	432	1 Bedroom/1 Bath	695	\$610 - \$670	\$0.88 - \$0.96
701 NE Tudor Road		1 Bedroom/1 Bath	735	\$620 - \$690	\$0.84 - \$0.94
		1 Bedroom/1 Bath	869	\$795 - \$825	\$0.91 - \$0.95
		2 Bedroom/1 Bath	918	\$735 - \$795	\$0.80 - \$0.87
		2 Bedroom/2 Bath	1,047	\$739 - \$819	\$0.71 - \$0.78
		2 Bedroom/2 Bath	1,149 - 1,291	\$830 - \$1,100	\$0.72 - \$0.85
		3 Bedroom/2 Bath	1,410	\$975 - \$1,155	\$0.69 - \$0.82
Chapel Oaks	168	2 Bedroom/1.5 Bath	1,200	\$680	\$0.57
3606 NE Independence Avenue		2 Bedroom/2.5 Bath	1,800	\$835	\$0.46
		3 Bedroom/1.5 Bath	1,300	\$735	\$0.57
		3 Bedroom/2.5 Bath	2,300	\$930	\$0.40
Crossroads of Lee's Summit	170	2 Bedroom/2 Bath	923	\$695	\$0.75
2200 NE Town Centre Blvd.		2 Bedroom/2 Bath	1,122	\$695	\$0.62
		3 Bedroom/2 Bath	1,162	\$780	\$0.67
		3 Bedroom/2 Bath	1,350	\$780	\$0.58
The Oaks	124	Studio	540	\$450	\$0.83
1415 SW 3rd Street		1 Bedroom/1 Bath	740	\$450 - \$575	\$0.61 - \$0.78
		2 Bedroom/1 Bath	900	\$695 - \$710	\$0.77 - \$0.79
		3 Bedroom/2 Bath	900	\$750	\$0.83
Pheasant Run Apartments	160	1-Bedroom	600	\$550	\$0.92
1102 NE Independence Avenue		2-Bedroom	800	\$650	\$0.81

Source: Canyon Research Southwest, Inc.

The table below depicts average rental rates for the competitive apartment properties by unit type. Average monthly rents for the surveyed apartment properties are well above the metro averages for all unit types but 3-bedrooms (only one studio model at a rent of \$450 per month, or \$0.83 per square foot is offered among the surveyed properties which is insufficient for the purpose of comparison). The average monthly rent of \$468 is 14.1 percent above the metro norm of \$649 per month. On a per square foot basis, rents for all the unit types lag well behind the metro norms.

Competitive Properties vs. Metro Averages Average Monthly Rents by Unit Type

Unit Type	Average Monthly Rent		Average Rent Per Sq. Ft.	
	Competitive	Metro	Competitive	Metro
Studio	\$450	\$473	\$0.83	\$0.93
1 Bedroom	\$643	\$612	\$0.87	\$0.94
2 Bedroom	\$768	\$744	\$0.73	\$0.83
3 Bedroom	\$872	\$1,008	\$0.65	\$0.80

Source: Colliers International and Canyon Research Southwest, Inc.

Community amenities commonly offered by the surveyed large-scale apartment properties in Lee’s Summit include a clubhouse, business center, exercise room, swimming pool and picnic areas. Standard unit features include private patios and balconies with storage; walk-in closets; ceiling fans; fully-equipped kitchen including a frost-free refrigerator, range, dishwasher and disposal; washer and dryer connections; window coverings and high-speed Internet access.

AMLI at Summit Ridge represents the most upscale apartment community in Lee’s Summit. The most recently completed community is Crossroads of Lee’s Summit. A brief description of each apartment community follows.

AMLI at Summit Ridge: This 432-unit property is located on the south side of Tudor Road west of Independence Avenue north of the Old Town Study Area. Built in 2000, this Class “A” property offers seven, 1-, 2- and 3-bedroom models. Currently advertised monthly rents are the highest in Lee’s Summit, ranging from \$610 to \$825 for 1-bedroom models; \$735 to \$1,100 for 2-bedroom models; and \$975 to \$1,155 for the 3-bedroom model.

Community amenities include a clubhouse, fitness center; business center; laundry room; car care center; sand volleyball court; a swimming pool; attached or detached garages with remote openers available; and an indoor activity center featuring a ½ basketball court, aerobics and volleyball. Some of the unit features are listed below:

- Wood burning fireplaces in select models;
- 9-foot ceilings;
- Tray ceilings in select units;
- Crown molding in living and dining rooms;
- Ceiling fans in living rooms;
- Pre-wired for ceiling fans in all bedrooms;

- Washer and dryer connections;
- Full-size washers and dryers in select models;
- Raised white panel cabinets;
- Whirlpool appliances;
- Kitchen pantries;
- Large walk-in closets;
- Oversized garden tubs;
- Ceramic tile sunrooms with built-in desks in select models;
- High-speed Internet access available;
- Private patios or balconies with French doors; and
- Private storage area.

AMLII at Summit Ridge is representative of luxury apartment communities built within the metropolitan Kansas City area over the past five years. The wider range of community amenities and unit features command the highest rents in Lee's Summit.

Crossroads of Lee's Summit: This recently built apartment community is located north of Interstate 470 on Town Centre Boulevard. Completed in early 2003, this 170-unit property offers four, 2- and 3-bedroom models. The models feature either a 1-story ranch or 2-story townhouse design. Current monthly market rents are \$695 for 2-bedroom models and \$780 for the 3-bedroom models.

Community amenities include a clubhouse, fitness center; business center; community laundry; a swimming pool; sport court; playground and picnic area. Some of the unit features are listed below:

- Private patios and balconies;
- All electric GE appliances;
- Washer / dryer connections and rentals;
- Central air conditioning;
- Double thermopane windows;
- Mini blinds;
- Extra insulation for energy efficiency;
- Smoke detectors;
- Cable TV; and
- Handicapped accessible;

Crossroads of Lee's Summit operates under an affordable housing program designed for middle income families and offered state and other local agencies. The rental rate of the apartment is not based on a percentage of a tenant's income. Rather, income limits are applied which are set based on the average income level of all residents who live in the surrounding geographic area. Under the affordable housing program the maximum allowable income is based on the total number of people residing in the apartment and their combined gross income. The rental rate is based off of the average income, including an allowance for utilities. In addition to the income qualified households, an estimated 8 to 10 HUD voucher households reside at the Crossroads of Lee's Summit.

Several small apartment communities have recently been constructed or are planned for development within the Old Town Study Area. Two of these new projects feature urban-style housing incorporated within mixed-use development and are representative of future housing trends within the Old Town Study Area. A brief description of each new housing community follows.

Ironwood Townhomes: This 28-unit rental community is located east of the Downtown Core on Florence Street north of 3rd Street. Seven, 2-story 4-plexes were completed in December 2002, with the community reported fully leased. Community amenities include a heated swimming pool and a playground. Two floor plans are offered, including a 1,300 square foot 2 bedroom/2.5 bath model and a 1,400 square foot 3 bedroom/2.5 bath model. Market rents were quoted at \$960 per month for the 2-bedroom (\$0.74 per square foot) and \$1,100 per month for the 3-bedroom (\$0.79 per square foot). Unit features are listed below:

- All electric, energy efficient appliances;
- Frost free refrigerator/freezer;
- Self cleaning oven;
- Dishwasher, microwave and garbage disposal;
- Full size washer and dryer available;
- Designer kitchen;
- Kitchen pantry;
- Heated garage;
- Patio or deck;
- Cable and computer ready;
- High speed Internet;
- Mini blinds;
- Walk-in closets;
- Maintenance free fireplace;
- All exterior maintenance provided; and
- On-site management office.

The rapid lease-up of the Ironwood Townhomes suggests strong demand for quality housing exists within the Old Town Study Area. The final phase of construction will include construction of an office building on the remainder of the site.

Two local developers have recently completed mixed-use projects which have raised the bar for future redevelopment efforts in the Old Town Study Area. Cumberland Properties has completed Market Street while Froehlich Pycior Companies is planning a 3-story, 9,000 square foot development.

In early 2003, Cumberland Properties completed construction on Market Place, a mixed-use project located on Market Street just east of Jefferson Street at the edge of the Downtown Core. The 2-story, 7,000 square foot building offers office space on the ground floor and six loft apartments on the second floor. Monthly rents are \$850 for the 1-bedroom units and \$900 to \$950 per month for the 2-bedroom units. Market Place offers the first urban-style housing with the Downtown Core of Lee's Summit. At the time the developer was interviewed the apartment units had just received certificate of occupancy, thus no units had been rented.

Froehlich Pycior Companies is now planning a 3-story, 9,000 square foot building at Third Street and Grand Avenue designed for retail, office and residential use. The building will feature New Orleans style architecture with 3,000 square feet of below grade office space (the sloping site is designed for two above grade floors facing 3rd Street and three floors facing the back parking lot), 3,000 square feet of ground floor retail space facing 3rd Street and three, 1,000 square foot apartment units on the top floor. The unit mix will include one, 1 bedroom/1.5 bath unit and two, 2 bedroom/2 bath units. Each unit will have a balcony. Quoted monthly rents are \$800 to \$1,000 for the 1-bedroom and \$1,000 for the 2-bedroom models.

These recent projects suggest there is growing interest among local developers to build urban-style residential housing within the Old Town Study Area. This housing product is also consistent with the goal of creating a mixed-use environment for both the Old Town Study Area and Downtown Core.

The Lee's Summit Housing Authority administers HUD's Section 8 program which involves vouchers used to fund the gap between the fair market rent set by HUD and what the recipient can afford to pay. Because the majority of jobs in Lee's Summit pay less than \$10.00 per hour, the demand for affordable housing has grown considerably over the past decade. Despite the growing need for affordable housing, the number of vouchers allocated to Lee's Summit has increased only slightly, from 247 in 1992 to a current allocation of 403 vouchers. Most of the voucher recipients are working households. Due to high housing rents, only 165 voucher recipients live in Lee's Summit, with the remaining 238 households residing elsewhere in Jackson County. According to the Lee's Summit Housing Authority the waiting list for vouchers currently stands at 137 households. Due to the excessive demand, when new vouchers are made available the waiting list is opened for just two days. These market conditions suggest a strong pent-up demand for affordable housing in Lee's Summit.

Senior Housing

Senior housing, taking the form of independent and assisted living, is a component of downtown revitalization efforts in communities throughout the country. According to the 2000 Census, 10.2 percent of the Lee's Summit population, or 7,228 residents, is 65 years of age and older.

Independent living, often referred to as retirement communities, congregate living or senior apartments, is designed specifically for senior adults who want to enjoy a lifestyle with other seniors offering recreational, educational and social activities. These communities are designed for seniors who are able to live on their own, but desire the security and conveniences of community living. Some communities offer organized social and recreational programs as a part of everyday activities (congregate living or retirement communities), while others provide housing with only a minimal amount of amenities or services (senior apartments).

Some independent living communities offer abundant recreational amenities such as a swimming pool, spa, fitness center, clubhouse, library and crafts room. Communities may also provide laundry facilities, linen service, meals or access to meals, local transportation, and planned social activities. Communities can be either "age inclusive" or "age exclusive." Age inclusive communities attract retirees, but do not have age-requirements whereas age exclusive communities operate under senior age requirements (usually 55 years and older).

Assisted living provides a special combination of residential housing, personalized supportive services and healthcare. These residential communities maximize independence, but do not provide skilled nursing care. Assisted living may offer the same features as independent living communities, with the added assistance of personal care. It is designed to meet the individual needs of those requiring help with activities of daily living, but do not need the skilled medical care provided in a nursing home. Assisted living communities can be freestanding, part of a continuing care community that provides independent, assisted and nursing care, affiliated with a nursing home, or often are specialized services brought into independent retirement communities.

Finding appropriate housing at affordable prices can be difficult for many seniors. The federal government and State of Missouri have established several programs to assist seniors with these housing needs. Subsidized housing programs are administered through the Department of Housing and Urban Development, Missouri Rural Development (formerly Farmers Home Administration), and the Missouri Housing Development Commission. Each of the programs have separate eligible guidelines based on income, family size, employment status, and other factors.

The 400-acre John Knox Village campus is the largest senior housing community in Lee's Summit. Located just west of the Old Town Study Area at the southwest of Chipman Road and U.S. 50, John Knox Village is an accredited senior housing facility by the Continuing Care Accreditation Commission. Founded in 1970 as a not-for-profit organization, John Knox Village offers a wide variety of services from home health and assisted living to long term care and skilled nursing. The campus now houses more than 2,000 residents. The inventory of homing units exceeds 1,500, with more than 70 floor plans available ranging size from 300 to 1,900 square feet. A sample of campus amenities are listed below:

- Golf course
- Fishing lake
- Computer lab
- Chapel
- Physician's clinic
- Restaurants
- Swimming pool and spa
- Arts and crafts studios
- Banquet and meeting rooms
- Clubhouses
- Garden and picnic areas
- Hospital
- Library
- 2,000-seat Pavilion
- Motel rooms

Two resident agreements are offered at John Knox Village. Under the Annual Agreement residents pay an all-inclusive, monthly fee and take advantage of all the services, facilities and activities that the community offers. The Annual Agreement, however, does not provide any coverage for future health care benefits should the need arise. Meanwhile, the Entrance Fee Agreement requires a one-time entrance fee that guarantees the resident priority access to

everything Village Health Services offers, including home care, assisted living or skilled nursing care. Just like the Annual Agreement, the resident pays an all-inclusive, monthly fee.

The presence of John Knox Village attracts a large number of seniors to Lee's Summit, some of whom may consider other housing options in and around Lee's Summit. Given the mixed-use family-oriented environment being promoted, senior housing in or near the Downtown Core could be a viable option.

The Lee's Summit Housing Authority manages two subsidized senior housing communities, one of which is located within the Old Town Study Area. The 50-unit Lee Haven and Cass Browning Community Center are located at 111 SE Grand just east of the Downtown Core. The unit mix includes 42, 1-bedroom and 8, 2-bedroom models. Rents are based on income levels with Lee Haven currently operating at an average rent of \$165 per month. The community is fully occupied with a long waiting list.

The 66-unit Duncan Estates is located south of U.S. 50 between Ward Road and Missouri Highway 291. The unit mix includes 53, 1-bedroom and 13, 2-bedroom models. The community is fully occupied at an average rent of \$210 per month. A long waiting list is maintained.

Due to high land acquisition and development costs the Lee's Summit Housing Authority has had a difficult time facilitating financially feasible development of additional senior housing communities. As an example, \$685,000 was paid for the 13-acre site supporting construction of Duncan Estates, translating into nearly \$10,400 per housing unit. The Housing Authority is evaluating the acquisition of a site north of the Downtown Core.

One privately-owned senior housing community was identified within the Old Town Study Area. The 42-unit Le Grand Retirement Village is located at 313 Grand just south of 3rd Street. The community features 1-story residential buildings and a unit mix including 20, 1-bedroom and 22, 2-bedroom models.

Due to the large and growing senior population in Lee's Summit a senior housing component should be incorporated into the *Master Plan*. The most appropriate location would be at the fringe or just outside the Downtown Core, allowing residents convenient access to the retail, government, cultural and recreational facilities. A project size of 30 to 60 dwelling units is recommended. Senior housing could be used as an ideal transitional land use between the Downtown Core and surrounding residential neighborhoods.

6.3 Forecast Housing Demand

Residential housing absorption estimates through the year 2020 for Lee's Summit were formulated based on an economic model of the region's housing market. Key input to the model include historical patterns in annual residential building permit activity; current inventory of vacant residential lots and designated residential land; projected population growth; average household formation rates and income levels.

Lee's Summit is anticipated to remain one of the metropolitan area's strongest growth centers, adding a forecast 45,300 new residents by the year 2020. To accommodate this population growth, an estimated 18,000 new housing units will be constructed. The table below summarizes housing demand in Lee's Summit by product type.

Forecast Housing Demand by Product Type Lee's Summit, Missouri; 2000-2020

	Total Units	% of Total
Owner-Occupied Housing Units		
Entry-Level Housing: \$70,000 - \$100,000	1,675	9.3%
Entry-Level Housing: \$100,000 - \$150,000	2,070	11.5%
Move-Up Housing: \$150,000 - \$200,000	3,980	22.1%
High-End Housing: \$200,000+	5,775	32.1%
Total Owner-Occupied Housing Demand	13,500	75.0%
Rental Housing Units		
Assisted Housing (Rents \$0-\$500)	1,370	7.6%
Assisted Housing (Rents \$500-\$750)	1,260	7.0%
Market-Rate Housing (Rents \$750+)	1,870	10.4%
Total Rental Housing Demand	4,500	25.0%
Total Housing Demand	18,000	100.0%
<i>Source: Canyon Research Southwest, Inc.</i>		

Through the year 2020 the opportunity exists to support a wide range of for-sale housing in Lee's Summit. Income levels suggest three-quarters of all households can afford to purchase a home which is consistent with the 2000 Census data indicating owner-occupied housing units comprise 74.9 percent of the total housing stock. The housing demand projections indicate Lee's Summit will absorb 13,500 owner-occupied housing units through the year 2020. Because of the community's high income levels the greatest demand will be for move-up and high-end housing priced over \$150,000, accounting for an estimated 9,755 housing units, or over 72 percent of all owner-occupied demand. Considerable demand will also occur for entry level housing, totaling 1,675 housing units priced from \$70,000 to \$100,000 and 2,070 housing units priced from \$100,000 to \$150,000. Given acquisition and development costs for residential land in Lee's Summit, building financially feasible entry level housing has historically been challenging.

Income levels suggest considerable demand for both market-rate and affordable rental housing will also materialize through the year 2020. Currently, 14.7 percent of Lee's Summit households earn less than \$25,000 per year which isn't sufficient to support the purchase of a single family home. These households are perpetual renters. Through 2020 demand for rental housing in Lee's Summit has been forecast at 4,500 dwelling units. Assisted rental housing is estimated to

account for 2,630 dwelling units, or 58 percent of all rental housing demand. Meanwhile, the demand for market rate rental housing is forecast to total 1,870 dwelling units.

Considerable infill housing opportunities exist within the entire Old Town Study Area, capitalizing on vacant lots, residential lot splits and under utilized properties. The northern portion of the Old Town Study Area has the potential to facilitate the lion's share of new infill housing. Demand for new housing within the Downtown Core is forecast at 300 to 450 dwelling units. The remainder of the Old Town Study Area is anticipated to capture future housing demand for 150 to 300 dwelling units.

The Old Town Study Area is capable of supporting a wide range of for-sale housing product targeting a spectrum of buyers including young single to empty nesters. Market rate entry-level single family homes and townhouses priced from \$125,000 to \$175,000 would target young professionals and couples. Meanwhile, empty nesters and affluent singles would be attracted to a more upscale housing product priced from \$175,000 to \$300,000. This housing product would be best suited within mixed-use projects near the Downtown Core as well as transitional zones. Considerable demand for housing priced under \$125,000 is forecast for Lee's Summit through 2020. The Old Town Study Area would be a suitable location for high density entry level housing product. However, current market conditions suggest government assistance may be necessary to facilitate financially feasible development.

6.4 Residential Housing Site Evaluation

Lee's Summit's Downtown Core and balance of the Old Town Study Area has been evaluated for its potential to support apartments, townhomes and for-sale detached housing development based on the following site selection criteria:

Physical Attributes of the Site

A potential single family subdivision or multi-family residential site should be level with all utilities. Also, a rectangular shape is desirable to promote efficient land planning. A location adjacent to an amenity such as a lake, golf course or park/greenbelt can enhance a residential site's marketability.

Potential residential sites within the Old Town Study Area and Downtown Core are generally flat and serviced with the necessary utilities and street access. The attraction of the Old Town Study Area as a potential residential location stems from the close proximity to retail, entertainment, schools, places of worship, government office, freeway corridors and employment centers. Site constraints include the presence of the railroad line and the ability to assemble suitable development sites.

Parcel Size

Most developers of large-scale apartment properties prefer a site capable of supporting a minimum of 150 dwelling units so that inclusion of a common area amenity package (i.e., clubhouse, swimming pool, spa, fitness center and security) is financially feasible. At an average density of 18 to 20 dwelling units per acre, a minimum 7.5- to 8.3-acre site is required. Given

this size requirement and the need to assemble development sites will place considerable constraints on the ability to accommodate large-scale apartment development. Instead, small, lower amenity apartment development may be more appropriate. Apartment development as a component of a mixed-use project is also another alternative. Within the Downtown Core freestanding apartment development is best suited within the transitional zones. Within the balance of the Old Town Study Area development sites along major arterials such as Chipman Road are most appropriate.

Builders of townhouse and condominium housing prefer a development site capable of supporting a minimum of 50 dwelling units so that the inclusion of a common area amenity package (i.e., clubhouse, swimming pool, spa, fitness center, tennis courts, security, etc.) is economically viable. At an average density of 10 to 12 dwelling units per acre, a minimum 4.0- to 5.0-acre site is needed. The most appropriate locations for townhouse and condominium development within the Old Town Study Area are consistent with those identified for apartments.

There is not a true rule of thumb for the required lot yield of potential single family subdivision sites, particular when community amenities are not included in the development plan. Single family housing within the Downtown Core is most appropriate at the very edge (i.e., the east side of Jefferson Street) and used as a transitional land use between the more intensive commercial uses within the heart of the downtown and the single family neighborhoods abutting downtown. Considerable infill opportunities exist, particularly within the northern quadrant of the Old Town Study Area. The 3.5-acre city-owned site at the southwest corner of 2nd and Independence Streets is also a desirable single family site, particularly for patio home type product.

Access and Visibility

Both the Downtown Core and balance of the Old Town Study Area possess excellent regional and local vehicular access. Jefferson and 3rd Streets provide immediate access from U.S. 50; Douglas Street offers access to Interstate 470 and both 2nd and 3rd Streets serve as direct routes to Missouri Highway 291.

Potential apartment and townhouse sites should possess visibility via a major arterial so that an adequate marketing window can be provided. For single family subdivision sites major arterial visibility is important, but not necessary. The visibility issue is less important when it relates to urban residential infill development. Potential multi-family sites along such well traveled arterials as Chipman Road, 2nd Street, 3rd Street and Jefferson Street would be most marketable.

Proximity to Employment and Services

Large and growing employment centers located in close proximity are critical when evaluating a potential single family and multi-family residential site. The Old Town Study Area houses a large employment base and is located in close proximity to such growing employment centers as the Summit Technology Campus and Interstate 470 corridor. Shopping, schools and recreational amenities are located within or in close proximity to the Old Town Study Area.

Compatible Adjacent Land Uses

Existing and proposed land uses immediately adjacent to a potential residential site must be compatible. Compatible land uses with multi-family housing include single family homes, retail, professional office and light business parks. Single family housing works best when positioned adjacent to slightly higher density transitional multi-family housing. Adequate setbacks and landscaping can minimize any adverse impacts on single family housing from commercial land uses.

Conclusions

Based on housing industry site selection criteria, the most appropriate locations for single family housing within the Downtown Core are at the very fringes (i.e., Jefferson and 5th Streets), serving as a transitional land use between the commercial uses at the heart of downtown and the surrounding single family neighborhoods. The opportunity for significant infill development within the balance of the Old Town Study Area also exists through development of under utilized properties (i.e., the split of a large single family lot into two lots) and vacant lots. Infill development opportunities are particularly available within the northern and eastern quadrants of the Old Town Study Area. Two notable large vacant lots include the 3.5-acre city-owned parcel at the southwest corner of 2nd and Independence Streets as well as the northwest and southwest corners of Main and Orchard.

Given this size requirement and the need to assemble development sites will place considerable constraints on the ability to accommodate large-scale multi-family development within the Old Town Study Area. Instead, small, lower amenity development may be more appropriate. Multi-family development as a component of a mixed-use project is also another alternative. Within the Downtown Core freestanding multi-family residential development is best suited within the transitional zones. Within the balance of the Old Town Study Area development sites along major arterials such as Chipman Road are most appropriate.

6.5 Conclusions

During the past decade Lee's Summit has emerged as one of Jackson County's leading new housing markets, with 12,937 residential dwelling units permitted for construction.

The housing stock in Lee's Summit totals 27,392 dwelling units, with the single family sector accounting for 74.8 percent, or 20,490 dwelling units. By comparison, single family homes comprise 71.9 percent of the total metropolitan Kansas City housing stock. Townhouses comprise 6.0 percent of the housing stock in Lee's Summit, compared to 4.8 percent in the metro area. Lee's Summit is only slightly below the metro area in its share of multi-family units, consisting of 19.1 percent of the housing inventory compared to 21.2 percent in the metro area.

Since 1996, new and resale homes priced from \$101,000 to \$200,000 accounted for nearly two-thirds of all homes sold within Lee's Summit. During this time the volume of homes priced in

excess of \$200,000 continued to escalate, accounting for one-third of all home sales. Homes priced from \$200,000 to \$300,000 reported the largest gains in sales activity.

High land acquisition and development costs in Lee's Summit make it extremely difficult for builders to deliver starter homes. Instead, builders focus primarily on high cost housing.

From 1998 to 2001 a total of 612 homes sold within Zip Code 64063, which encompasses the Old Town Study Area. Nearly three-quarters of the housing sold was priced from \$100,000 to \$200,000. Homes priced from \$200,000 to \$400,000 accounted for just 14.2 percent of all home sales.

Lee's Summit is forecast to absorb 13,500 owner-occupied housing units through the year 2020. Because of the community's high income levels the greatest demand will be for move-up and high-end housing priced over \$150,000, accounting for over 72 percent of all owner-occupied demand. Considerable demand will also occur for entry level housing, totaling 1,675 housing units priced from \$70,000 to \$100,000 and 2,070 housing units priced from \$100,000 to \$150,000. Given acquisition and development costs for residential land in Lee's Summit, building financially feasible entry level housing has historically been challenging.

Through 2020, an additional 4,500 rental units are forecast to be absorbed in Lee's Summit. Assisted rental housing is estimated to account for 2,630 dwelling units, or 58 percent of all rental housing demand. Meanwhile, the demand for market rate rental housing is forecast to total 1,870 dwelling units.

The attraction of the Old Town Study Area as a location for new housing stems from the close proximity to retail, entertainment, schools, places of worship, government office, freeway corridors and employment centers. Site constraints include the presence of the railroad line and the ability to assemble suitable development sites.

The Old Town Study Area is capable of supporting a wide range of for-sale housing product targeting a spectrum of buyers ranging from young singles to empty nesters. Market rate entry-level single family homes and townhouses priced from \$125,000 to \$175,000 would target young professionals and couples. Meanwhile, empty nesters and affluent singles would be attracted to a more upscale housing product priced from \$175,000 to \$300,000. The Old Town Study Area would also be a suitable location for housing product priced under \$125,000. However, government assistance may be necessary to facilitate financially feasible development.

The most appropriate locations for single family housing within the Downtown Core are at the very fringes (i.e., Jefferson and 5th Streets), serving as a transitional land use between the commercial uses at the heart of downtown and the surrounding single family neighborhoods. The opportunity for significant infill development within the balance of the Old Town Study Area also exists through use of under utilized properties (i.e., the split of a large single family lot into two lots) and vacant lots.

Due to the large and growing senior population in Lee's Summit a senior housing component should be incorporated into the *Master Plan*. The most appropriate location would be at the fringe or just outside the Downtown Core, allowing residents convenient access to the retail, government, cultural and recreational facilities. A project size of 30 to 60 dwelling units is

recommended. Senior housing could be used as an ideal transitional land use between the Downtown Core and surrounding residential neighborhoods.

7.0 STUDY RECOMMENDATIONS

The City of Lee's Summit, Missouri has contracted with EDAW Inc. to prepare a *Master Plan* for the Old Town section of the city. As a team member with EDAW Inc., Canyon Research Southwest, Inc. has prepared a Market Study designed to quantify the demand for various types of real estate within the Old Town Study Area. Potential land uses evaluated include retail, professional office, hotel and residential.

Based on the study findings, recommendations for redevelopment of the Old Town Study Area are summarized below:

- Identify the Old Town Study Area's most appropriate market positioning (i.e., entertainment district, shopping destination, employment center, tourism attraction, etc.), including a mix of land uses, architectural design and tenant mix;
- Quantify the supportable inventory of new commercial space and residential dwelling units in the Old Town Study Area through 2020;
- Identify potential redevelopment opportunities for the Old Town Study Area as well as specific redevelopment sites; and
- Measures to improve the marketability of the Old Town Study Area; and

7.1 Market Positioning

The Old Town Study Area currently serves as the community's government, specialty retail and religious center. While downtown can capitalize on the community's continued urban growth, this growth will also bring with it increased competition for housing, retail goods and services, professional office space and entertainment. To remain competitive and foster continued economic growth the Old Town Study Area must position itself as a destination for local residents, metropolitan Kansas City residents and area visitors.

The "vision" of the Old Town Study Area, the "vision" is to create a mixed-use, "family-friendly" urban center offering a blend of economic, governmental, cultural, recreation and entertainment activities. Several "activity centers" should be created, each of which targeting a specific market niche (i.e., civic, cultural, entertainment, shopping, housing, etc.). The Old Town Study Area's market positioning can leverage off its historical context, presence of several "anchors" and the community's favorable demographics. The following components are recommended:

- A mix of retail businesses catering to both the basic needs of local residents (i.e., banking, hair salons, coffee shops, restaurants, etc.) and a specialized regional market (i.e., galleries, antiques, home furnishings, etc.);
- A boutique office market supporting mix of personal service businesses such as lawyers, physicians, realtors, insurance agencies, etc. Office uses are best located at the fringes of downtown and within above street level space;
- The Downtown Core should remain as the community’s primary government center, housing city hall, fire station, elementary school, school administrative offices, post office, senior center and other municipal functions;
- Increased emphasis should be placed on incorporating cultural, recreation and entertainment uses into the Old Town Study Area in an effort to attract more people and create an increased sense of place and community. Potential uses include a permanent farmer’s market facility, a public park/plaza, bike paths and sidewalks linking downtown with the surrounding residential neighborhoods, performing arts venue, museums, art galleries and a cluster of restaurants, cafes, coffee houses and book stores;
- Increasing the housing stock will be a key component in enhancing the urban environment and economic vitality of the entire Old Town Study Area. A mix of housing stock is recommended, including senior housing, upscale rental and for-sale lofts, high-density single family and townhouses, and entry-level housing. The housing component can be used as an effective buffer between the Downtown Core and surrounding residential neighborhoods;
- Retaining the religious institutions in the Downtown Core is recommended. They serve as major public gathering places, a symbol of downtown and a transitional land use between the Downtown Core and surrounding residential neighborhoods; and
- Increased emphasis on redevelopment of the “gateways” into the Old Town Study Area.

7.2 Forecast Real Estate Demand

Demand for commercial and residential space within the Old Town Study Area has been forecast through the year 2020 in effort to quantify the level of future development opportunities. Forecasts for retail space, professional office space, hotel rooms, and residential housing are summarized in the table below.

Forecast Commercial and Residential Demand; 2000-2020

Land Use	Forecast Demand		
	Lee's Summit	Downtown Core	Balance of Old Town
Retail	1,780,000 SF	70,000 - 110,000 SF	30,000 - 40,000 SF
Office	1,392,000 - 1,566,000 SF	70,000 - 110,000 SF	30,000 - 50,000 SF

Hotel Residential	400 - 500 Rooms 18,000 du's	10 - 15 Rooms 300 - 450 du's	50 - 80 Rooms 150 - 300 du's
Source: Canyon Research Southwest, Inc.			

The Downtown Core is forecast to absorb 70,000 to 110,000 square feet of additional retail space through 2020. The balance of the Old Town Study Area is forecast to support an additional 30,000 to 40,000 square feet of retail building area.

Lee's Summit is forecast to absorb 1.4 to 1.57 million square feet of speculative and owner-occupied office space through the year 2020. The Downtown Core is forecast to garner office space demand of 70,000 to 110,000 square feet through the year 2020 with the remainder of the Old Town Study Area accounting for 30,000 to 50,000 square feet.

Lee's Summit current hotel market is small, consisting of just eight properties totaling 571 guest rooms. Through 2020 the demand for an additional 400 to 500 hotel rooms is forecast of Lee's Summit, with most development gravitating to highway locations serving the city's office and business parks as well as leisure travelers. The absence of major arterial or highway frontage greatly limits the potential to support future hotel development within the Downtown Core. Through the year 2020, demand for just 10 to 15 hotel rooms are forecast, consisting of one or more bed and breakfasts or a small boutique hotel.

The U.S. 50 intersections of Chipman Road, 3rd Street or Jefferson Street represent the most optimal hotel development sites within the balance of the Old Town Study Area. These potential sites offer the necessary highway exposure and accessibility to support a chain hotel. Through 2020, sufficient demand is forecast to support one hotel property of 50 to 80 rooms.

Lee's Summit is anticipated to remain one of the metropolitan area's strongest growth centers, adding a forecast 45,300 new residents by the year 2020. To accommodate this population growth, an estimated 18,000 new housing units will be constructed. Considerable infill housing opportunities exist within the entire Old Town Study Area, capitalizing on vacant lots, residential lot splits and under utilized properties. Demand for new housing within the Downtown Core is forecast at 300 to 450 dwelling units. The remainder of the Old Town Study Area is anticipated to capture future housing demand for 150 to 300 dwelling units.

7.3 Redevelopment Opportunities & Potential Sites

The Old Town Study Area possesses a solid foundation from which to support continued development and absorption activity. The greatest opportunities exist for future retail, professional office and housing development. Future development will concentrate on infill parcels, under utilized properties (i.e., parking lots) and the assemblage and razing of existing properties. Land use patterns should involve establishing development boundaries for the Downtown Core whereby a more concentrated commercial core could developed, transitioning into lower density mixed-use areas and the existing single family neighborhoods.

The recommended development boundaries include 2nd Street to the north; 5th Street to the south; Green Street/Grand Avenue to the east and Jefferson Street to the west. The intersection of 3rd and Douglas Streets would serve as the Downtown Core's center point whereby land uses would

be most dense. The perimeter arterials would serve as transitional zones between the commercial core and the adjacent residential neighborhoods. Potential land uses within the transitional zones would include residential scale commercial, a mix of single family and multi-family housing, and public surface parking lots.

Further commercial encroachment within the Downtown Core should be avoided along the gateway corridors, specifically 3rd Street from both the east and west; Douglas Street from the north and Jefferson Street from the south. These streets create a residential gateway and sense of arrival into downtown.

Two municipal improvement projects will have a significant influence on the Downtown Core, including a new city hall and streetscape improvements. The new city hall site is located on Green Street between Second and Third Streets. To create a major “activity center” additional government facilities, public open space and retail/office space could be clustered around the new city hall. Meanwhile, the streetscape design should consider the use of public art and creating more public space through the use of wider sidewalks in appropriate locations. The increased public space could assist in accommodating larger pedestrian traffic volumes as well as create outdoor dining and display space.

Potential municipal improvements for the Downtown Core could include the construction of additional public parking, open space, a farmer’s market, a senior center and a performing arts venue. Parking is a perceived problem downtown and construction of the new city hall may add to the problem. Construction of a public parking garage for city employees and downtown businesses could enhance commerce and free-up existing surface lots within the Downtown Core for redevelopment. Peripheral surface lots with a uniform design and adequate signage would also assist in remedying the parking shortage. The open space and farmer’s market would serve as public gathering places and host special community events. A new senior center could be incorporated into redevelopment plans for the existing city hall. The performing arts venue could take the form of an amphitheatre within the urban park/plaza or an enclosed theatre.

Fifteen potential redevelopment sites have been identified within the Downtown Core. The objective of redeveloping these sites is to increase the concentration of downtown by filling in vacant and under utilized properties. Each potential site is summarized below, followed by an aerial map identifying each site.

- Site No. 1: City block bound by Maple, 2nd, Main and Market Streets
- Site No. 2: Existing City Hall on Market Street
- Site No. 3: City parking lot and single family homes on Market Street
- Site No. 4: Commercial buildings on north side of 3rd Street between Jefferson and Market
- Site No. 5: Summit Motor Company – SWC 3rd and Market Streets
- Site No. 6: City block bound by 4th, 5th, Market and Jefferson Streets
- Site No. 7: City block bound by 4th Street, 5th Street, Market Street and train tracks
- Site No. 8: Owen Lumber property at 3rd and Main Streets
- Site No. 9: SEC 4th and Main Streets
- Site No. 10: NEC 4th and Main Streets
- Site No. 11: Public parking lot on west side of Douglas Street between 2nd and 3rd Streets
- Site No. 12: East side of Green Street between 2nd and 3rd Streets
- Site No. 13: Aldi store at SEC 3rd and Green Streets
- Site No. 14: Arnold Hall surface parking lot on 3rd Street

Site No. 15: North Main Street industrial area

Potential Downtown Core Redevelopment Sites

(Insert Aerial Photo)

Site No. 1: City Block Bound by Maple, 2nd, Main and Market Streets

This city block currently houses four commercial/industrial buildings, a church, surface parking lot and eleven single family homes. One home is individually eligible for the Historic Register. This site is a suitable for development of medium to high density housing. Such a development format would serve as an adequate transitional use between the Downtown Core and residential neighborhoods to the northwest.

Site No. 2: Existing City Hall

Following construction of the new city hall, the existing building would serve as an ideal redevelopment site. The building facing Main Street is classified as a contributing building to the potential historic district. Incorporating the adjacent surface parking lot owned by the Bank of Lee's Summit would create a large parcel capable of facilitating mixed-use development. Potential land uses include ground floor retail, 2nd floor office or residential space or a municipal use such as a senior center or performing arts venue.

Site No. 3: City Parking Lot

The City currently leases this 18-space surface parking lot for employee parking. This property could be incorporated with the converted single family homes north to 2nd Street to create a large redevelopment site capable of supporting mixed-use development featuring retail, office and multi-family residential uses.

Site No. 4: Commercial Buildings on 3rd and Jefferson Streets

This potential redevelopment site currently supports a strip commercial center at the northeast corner of 3rd and Jefferson Streets, two 1-story single tenant buildings and a 1-story commercial building at the northwest corner of 3rd and Market Streets. These structures occupy valuable 3rd Street frontage and are considered an under utilized use. A more appropriate development format would be 2-story mixed use buildings.

Site No. 5: Summit Motor Company

The southwest corner of 3rd and Market Streets is occupied by a used car dealership. This is an under utilized land use for such a prominent commercial corner. By incorporating the 1-story commercial building to the south along Market Street a large redevelopment site could be manufactured ideal for a mix of retail, office and residential uses.

Site No. 6: City Block Bound by 4th, 5th, Market and Jefferson Streets

This entire city block is under single ownership. Existing land uses include 17 single family homes and two vacant lots. All but one of the homes fronting Market Street are classified as contributing to a potential historic district and are among the oldest homes in Lee's Summit. None are individually eligible for the Historic Register. This city block would serve as an

effective transitional zone. Commercial development abuts the north, east and south with single family homes along the west side of Jefferson Street. Commercial development of the site should not be permitted. More appropriate land uses include high density single family along Jefferson Street, transitioning to higher density multi-family residential along Market Street. One or more of the architecturally significant homes on Market Street could be saved and used as a bed & breakfast or boutique hotel.

Site No. 7: City Block West of Railroad Tracks between 4th & 5th Streets

This city block currently supports a mix of commercial and residential uses, including the Lee's Summit Animal Hospital, two commercial buildings along 4th Street and one single family home on Market Street. As a transitional zone, multi-family residential or senior housing are appropriate land use alternatives.

Site No. 8: Owen Lumber

The Owen Lumber Company leases a strip of land from the railroad located on the east side of Main Street between 3rd and 5th Streets. This land use is not compatible with the balance of the downtown core. The narrow site and the fact the property is encumbered by a land lease reduces the potential development options. Potential land uses include a permanent farmer's market facility, public parking and an urban park or bike/walking trail.

Site No. 9: SEC 4th and Main Streets

This site current supports two businesses, Main Street Auto Repair and Lee's Summit Lawn Mower Parts and Services. Such heavy commercial uses are not compatible with the historical residential neighborhoods to the south. Redevelopment alternatives include professional office, multi-family residential or senior housing.

Site No. 10: NEC 4th and Main Streets

With the exception of the commercial buildings fronting 3rd Street, this potential redevelopment site incorporates the entire city block bound by 3rd Street to the north, 4th Street to the south, Douglas Street to the east and Main Street to the west. Existing land uses include three, 1-story commercial buildings, a surfacing parking lot and a vacant parcel fronting Main Street, and a surface parking lot and several 1-story commercial buildings along Douglas Street. Given the proximity of this site to the heart of downtown, concentrated mixed-use development is appropriate. This site is also suitable for a permanent farmer's market and a small urban park at the immediate northeast corner of 4th and Main Streets.

Site No. 11: Surface Parking Lot on Douglas Street

Incorporating the surface parking lot on the west side of Douglas Street between 2nd and 3rd Streets along with the 1-story commercial building at 210 Douglas Street would create a desirable infill development site in close proximity to the heart of downtown. Potential alternative land uses include mixed-use development featuring retail, office, apartments and an urban park/public plaza linked to the new city hall.

Site No. 12: East Side of Green Street between 2nd and 3rd Streets

This potential redevelopment site incorporates the entire city block with the exception of the Southwestern Bell facility. The site supports a mix of land uses, including a vacant lot, three, 1-story commercial buildings housing Green Street Furniture, Herrington Automotive Service, Patina Studios and Eddie's Double Crown Lounge as well as a strip center at the northeast corner of 3rd and Green Streets. With the new city hall planned for construction immediately to the west, more intensive mixed-use development of the site is appropriate. Potential alternative land uses include mixed-use development featuring retail, office, additional municipal facilities (i.e., library, post office, etc.) and an urban park/public plaza linked to the new city hall.

Site No. 13: Aldi Store Site

A new Aldi store is now under construction adjacent to Home Depot southeast of U.S. 50 and Missouri Highway 291. Opening of the new store will result in closure of the existing downtown store by mid-2003. Such an event would be unfortunate because of the value of having convenient grocery shopping for downtown residents. Despite scheduled closure of the store, Aldi controls the property for several more years with the lease expiring June 2007 and an additional 5-year option available. Aldi is attempting to sub-lease the 12,000 square foot building, but will not consider a grocery use. Family Dollar has sub-leased other vacated Aldi stores. Therefore, Aldo controls the near-term use and redevelopment potential of the property. Given the property's prominent downtown location it is an excellent candidate for mixed-use development featuring retail, office and residential uses. Another potential use would be to incorporate a public parking structure into a mixed-use project.

Site No. 14: Arnold Hall Parking Lot

The surface parking lot immediately west of Arnold Hall creates a "dead" zone on 3rd Street. Infill development could include retail and office uses.

Site No. 15: North Main Street Industrial Area

This site at Main Street north of Nevine Streets supports an industrial island with four, 1-story buildings. The site is surrounded by single family housing and is within walking distance from downtown. Potential redevelopment options include senior or work force housing.

The Lee's Summit School District maintains two properties in downtown, including Lee's Summit Elementary at 2nd and Douglas Streets immediately north of the new city hall site and the Administrative Building at 6th and Miller Streets. The elementary school is currently undergoing renovations, including a new library, cafeteria and gymnasium. The school provides a vital community service and the use should be retained. The economic feasibility of renovating the Administrative Building for continued use as school district offices is being evaluated. According to school officials the building will always function as an educational use.

Several potential redevelopment sites have also identified within the balance of the Old Town Study Area.

- The 3.5-acre city-owned property at the southwest corner of 2nd Street and Independence is an excellent development site, offering adequate access, visibility, infrastructure and size. Potential land uses include medium to high density detached for-sale housing.
- The vacant land at Main and Orchard Streets is suitable for infill single family housing.
- The commercial land uses along the railroad tracks south of Chipman Road are suitable for residential re-use.
- The single family homes along the south side of Chipman Road east of U.S. 50 are suitable for redevelopment into suburban scale professional offices.
- The automobile dealerships on the east side of Blue Parkway south of Chipman Road possess the size, access and visibility suitable for accommodating mixed-use development with retail, office, hotel and multi-family residential uses.
- Vacant and over-sized lots within the residential neighborhoods north of the Downtown Core are suitable for infill residential development.

7.4 Measures to Improve Old Town's Marketability

Measures for improving the marketability of the Old Town Study Area for future commercial, residential and municipal development are summarized below. A separate document later in the *Master Plan* process will detail the recommended implementation strategy and action plan.

Downtown Core

- Establish activity districts catering to distinctive niches (i.e., Government Center District, Depot Square Historic District, Entertainment District, Residential District, etc.);
- Create “transition zones” at the fringes of the Downtown Core allowing for smoother land uses transitions between the commercial core and adjacent residential neighborhoods;
- Create additional public parking. Public parking lots should possess a uniform design and adequate signage. Establish designated employee parking and increase the 2-hour time limit on the remaining public parking;
- As part of the scheduled downtown streetscape improvements tenant directory signs could be installed;
- To increase customer traffic volumes within the Downtown Core direction signs could be erected along Interstate 470, U.S. 50 and Missouri Highway 291;

- Landmark “gateway” features could be erected along 2nd, 3rd, Douglas and Jefferson Streets at both the edge of the Old Town Study Area and Downtown Core;
- Create additional public space, including wider sidewalks, urban park/plaza and permanent farmer’s market facility;
- Construct sidewalks and bike paths linking the Downtown Core with residential neighborhoods in the balance of the Old Town Study Area;
- The City of Lee’s Summit should draft and implement an infill strategy for downtown to facilitate redevelopment efforts. The infill strategy should include a downtown overlay district, building design standards and streamline approval process; building code enforcement; financial incentives and public infrastructure improvements;
- Cooperative retail promotions and an increased event calendar to attract more people to the Downtown Core; and
- Establish a façade easement program and/or revolving fund to stimulate investment by commercial property owners.

Balance of Old Town Study Area

- Establish key residential historic districts within Old Town. Doing so could assist in reducing commercial encroachment and provide home owners with financial incentives for reinvestment into their properties. Create distinguishable residential neighborhoods through use of signage, street lights, sidewalks, monuments and landscaping;
- Additional senior housing within walking distance from the Downtown Core would enhance vitality of downtown;
- Incorporate small pocket parks within the Old Town residential neighborhoods;
- 3rd Street from the west and Douglas Street from the north should be retained as residential gateways, creating a sense of arrival into downtown;
- Redevelop existing automobile dealerships at U.S. 50 and Chipman Road into mixed-use gateway hub consisting of retail, office, hotel and multi-family residential land uses;
- Increase housing stock to include senior housing, rental and for-sale multi-family, medium- and high-density single family and townhouse, and entry-level product; and
- As Lee’s Summit continues to grow the Jefferson Street gateway will increase in importance, stimulating possible redevelopment of existing commercial uses at the U.S. 50 interchange.

The City's role will be vital in fostering redevelopment efforts in the Old Town Study Area. City government must serve as a leader in the planning and implementation process by soliciting community involvement; entering into public/private sector partnerships; and offering economic incentives. Designating a city staff member to serve a dual role as a downtown redevelopment coordinator and historic preservation officer would be an important commitment in implementing the *Master Plan* for the Old Town Study Area.

A major hurdle impeding future redevelopment efforts within the Old Town Study Area includes the ability to assemble properties at a price which allows for financially feasible development. In recent years property values have escalated more rapidly than rental rates, placing increased pressures on the ability of developers to foster financially feasible development. If this trend continues the City's involvement in assembling, packaging and entitling development sites may become critical in the redevelopment process.