

*The Economics of Land Use*



## Report

# North Kansas City Master Plan: Market Assessment

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City of North Kansas City

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# 1. MARKET CONTEXT AND INFLUENCES

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North Kansas City's (NKC) location within greater Kansas City, along with the regional and local real estate market conditions, influences the economic opportunities identified and evaluated in this Master Plan. A defining characteristic is the City's location at the center of the region and near the intersection of major north-south (I-29 and I-35) and east west (I-70) trucking routes. I-35 has been called the "NAFTA Highway" (North American Free Trade Agreement) as it is a major trucking route between Mexico, the U.S., and Canada. Four Class 1 railroads also converge in or near North Kansas City: Kansas City Southern, Norfolk Southern, Union Pacific, and Burlington Northern Santa Fe. This regional and national trucking and rail access is in large part why NKC has been successful as an industrial and distribution business location.

Most of the existing development in NKC is industrial and much of NKC's industrial building stock is dated and obsolete by modern standards. However, the City's central location in some ways outweighs the building characteristics. Industrial vacancies in NKC are below 5 percent, indicating a strong market. NKC is particularly appealing to Kansas City region businesses because of its central location; they can serve the entire region easily from NKC. Kansas City International Airport (MCI) is also located 15 minutes away, which will be a major asset if more professional and creative service businesses are pursued. These local and regional businesses understand the local market, and can utilize smaller and older buildings, while many national firms seek larger and more modern facilities.

Another important locational factor in NKC's evolution is the proximity to Downtown Kansas City. Many U.S. (and international) cities have older industrial districts ringing their Central Business Districts (CBDs), coinciding first with railroad and river transportation networks and later with highways. As manufacturing has been globalized and industrial building user needs have changed, these industrial areas have also changed. As businesses relocate to more modern facilities, they are being replaced by different business types. In many regions, these urban industrial areas appeal to small businesses, small or local manufacturing or wholesale operations, artists, and start-up creative and technology firms. The conversion of industrial buildings to residences is also increasingly common in these areas. The drivers of these trends include:

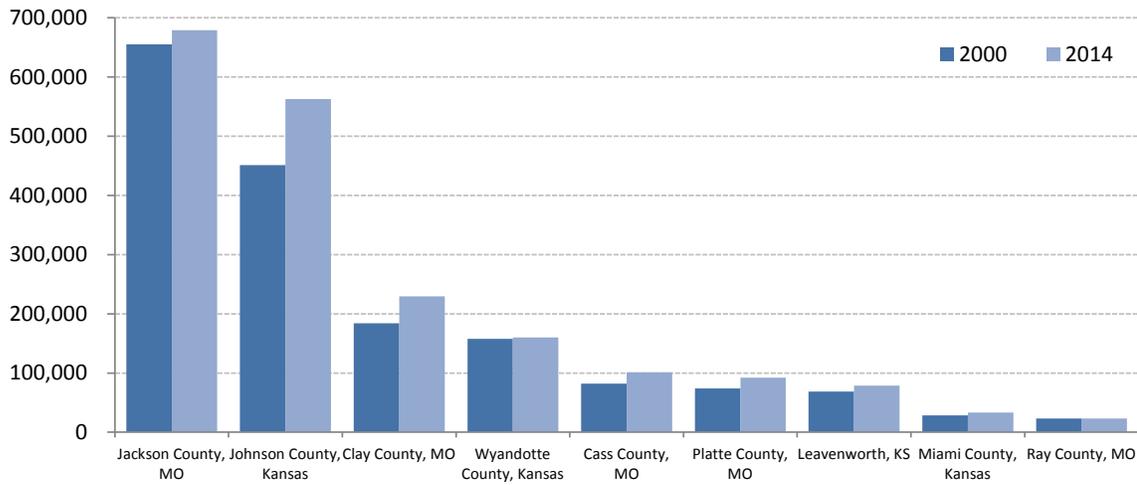
- An increasing preference, particularly among younger (under 35) workers, for housing located close to jobs, entertainment, and a diverse and exciting urban environment especially if it is competitively priced,
- Well located real estate, but at lower costs than in established central city neighborhoods and business districts, and
- Increasing demand for flexible workspace for occasional use for remote workers to convene, or as a lower cost option for full-time on-site workers.

These trends, location factors, and market forces will continue to influence NKC's evolution and this Plan will help the City leverage and balance them. This Market Assessment provides an overview of the demographic, economic, and market conditions in NKC and identifies the types of land use change and development demand that can be expected. Based on this market evaluation and on land use conditions, the Master Plan also identifies a number of catalytic projects, and investments that can be implemented to meet the goals of the Plan.

## Demographics

North Kansas City is located in Clay County and is largely surrounded by Kansas City, MO. Clay County's current population is 229,724 (**Figure 1**). Of the nine counties in the MARC region, Clay County is the third most populous county, after Jackson and Johnson County. Along with Johnson County and Platte County, Clay County experienced the highest percentage population growth between 2000 and 2014, each with a total increase of approximately 25 percent.

**Figure 1**  
**Population by County, 2000 and 2014**



Source: U.S. Census Bureau; ESRI; Economic & Planning Systems

The population of North Kansas City is 4,281. It decreased between 2000 and 2014 by an estimated 433 residents (**Table 1**). Elsewhere in Clay County, the population increased, at an annual average rate of 1.6 percent. Clay County's growth outpaced the rest of the MARC region, which grew an average rate of 0.7 per year. In nearby Kansas City, MO, the most populous city in the region, the growth rate was 0.4 percent per year.

There were similar growth trends in household totals. One household is a group of people, related or unrelated, living in one housing unit. The number of households in North Kansas City decreased between 2000 and 2014 from 2,546 to 2,405. Elsewhere in Clay County, the number of households increased, at an annual average rate of 1.6 percent. This growth outpaced the rest of the MARC region, which grew an average rate of 0.9 per year. In Kansas City, MO, the growth rate was 0.5 percent per year.

**Table 1**  
**Population Change, 2000 and 2014**

	2000	2014	2000-2014		
			Total	Ann. #	Ann. %
<b>Total Population</b>					
9-County MARC Region [1]	1,321,423	1,463,116	141,693	10,121	0.73%
Clay County, MO	184,006	229,724	45,718	3,266	1.60%
Kansas City, MO	441,545	468,098	26,553	1,897	0.42%
North Kansas City, MO	4,714	4,281	-433	-31	-0.69%
<b>Total Households</b>					
9-County MARC Region	496,332	560,549	64,217	4,587	0.9%
Clay County, MO	72,558	90,274	17,716	1,265	1.6%
Kansas City, MO	183,981	196,250	12,269	876	0.5%
North Kansas City, MO	2,546	2,405	-141	-10	-0.4%

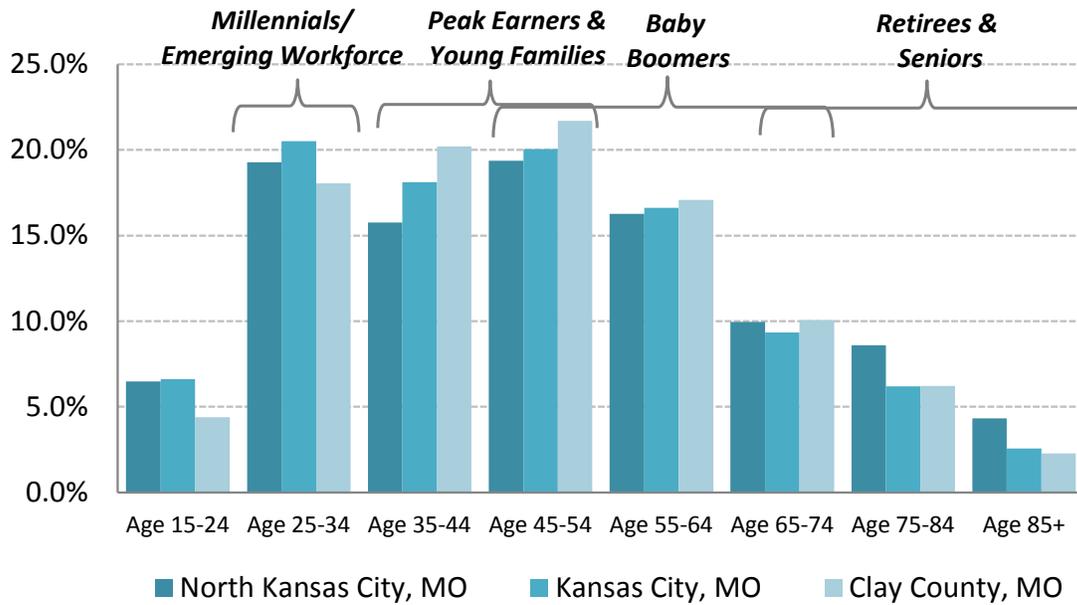
[1] 9-County MARC Region includes: Johnson, Leavenworth, Miami, Wyandotte (KS), Cass, Clay, Jackson, Platte, and Ray (MO) Counties

Source: U.S. Census Bureau; ESRI; Economic & Planning Systems

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Overall, NKC has above average concentrations of young and old age groups. This age distribution has unique implications for housing demand. Millennials, between the ages of 25 and 34, make up 19.3 percent of householders. On the other end, retirees and seniors, those who are 75 and older, make up approximately 13 percent of the population. NKC has a lower concentration of people in the middle age brackets (peak earners and young families, baby boomers), than is evident in the rest of the region (**Figure 2**). In terms of housing demand, these data suggest that rental, entry-level ownership, and low-maintenance empty nester and senior housing is appropriate in NKC from a market perspective.

**Figure 2**  
**Age Distribution for Head of Household**



Source: ESRI; Economic & Planning Systems

North Kansas City has fewer households with children compared to surrounding communities. In North Kansas City, 17 percent have children living in the home (**Table 2**). In Kansas City, MO, 30 percent of households have children and 35 percent in Clay County have children. North Kansas City has a higher proportion of households ages 25 to 34 as well as 75 and older, which partially explains the lower proportions of households with children. The average household size is 1.8, which is considerably lower than in surrounding communities.

**Table 2**  
**Household Types, 2010**

Description	North Kansas City, MO		Kansas City, MO		Clay County, MO	
	#	% of Total	#	% of Total	#	% of Total
<b>Total Households</b>	<b>2,361</b>	<b>100%</b>	<b>192,406</b>	<b>100%</b>	<b>87,217</b>	<b>100%</b>
Households without Children	1,958	83%	135,516	70%	56,788	65%
1 Person	1,255	53%	66,749	35%	22,861	26%
Roomates	228	10%	16,581	9%	5,339	6%
Households with Children	403	17%	56,890	30%	30,429	35%
with Two Parents	165	7%	30,270	16%	20,994	24%
with One Parent	238	10%	26,620	14%	9,435	11%
Average Household Size	1.8		2.3		2.5	

Source: U.S. Census 2010; Economic & Planning Systems

H:\133090-North Kansas City, MO Comp Plan\Data\133090 - Demographics.xlsx\Household Types

The average household income in North Kansas City is lower than in Kansas City, MO and in the rest of Clay County. In 2014, the average household income was \$42,838, the median household income was \$34,678, and the per capita income was \$24,091 (**Table 3**).

**Table 3**  
**Household Income, 2014**

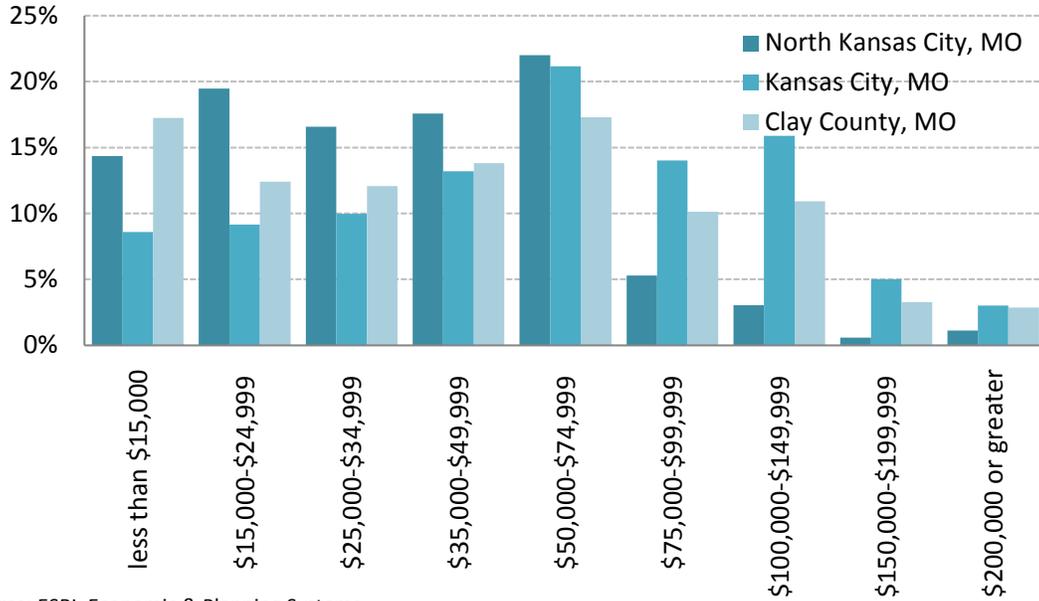
Description	North Kansas City, MO	Kansas City, MO	Clay County, MO
Average Household Income	\$42,838	\$61,068	\$74,976
Median Household Income	\$34,678	\$42,827	\$58,255
Per Capita Income	\$24,091	\$25,785	\$29,583

Source: ESRI; Economic & Planning Systems

H:\133090-North Kansas City, MO Comp Plan\Data\133090 - Demographics.xlsx\Income

The distribution of households by household income reveals that only 10 percent of North Kansas City’s households earn more than \$75,000 per year, compared to 27 percent in Kansas City, MO and 38 percent in the rest of Clay County (**Figure 3**). Overall, North Kansas City has more households in the income ranges below \$75,000 than the surrounding communities, a figure which upscale retailers consider the threshold for entering a market.

**Figure 3**  
**Distribution of Households by Income Range, 2014**

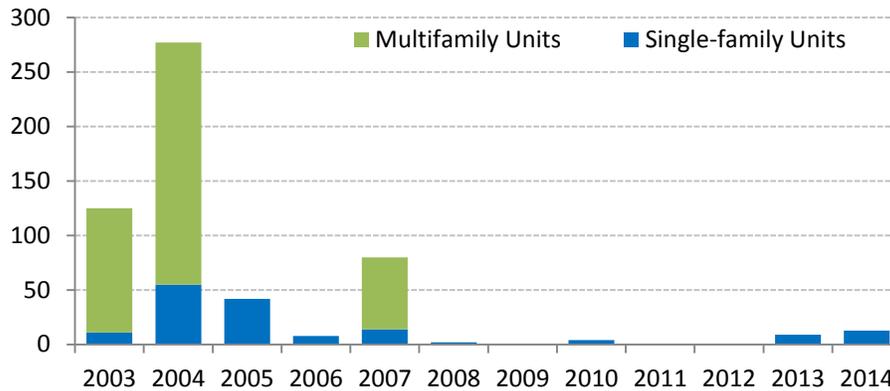


Source: ESRI; Economic & Planning Systems

## Housing

As a landlocked city, the amount of new housing construction that can occur is tied to land or redevelopment site availability. In contrast, suburban communities have more undeveloped land and can annex new areas to accommodate growth. Consequently, there has been little housing construction in North Kansas City other than in the Northgate development (**Figure 4**). In 2003, Northgate developed its first phase of single family detached homes and townhomes. In 2004, Northgate opened CityView, a 400-unit apartment village.

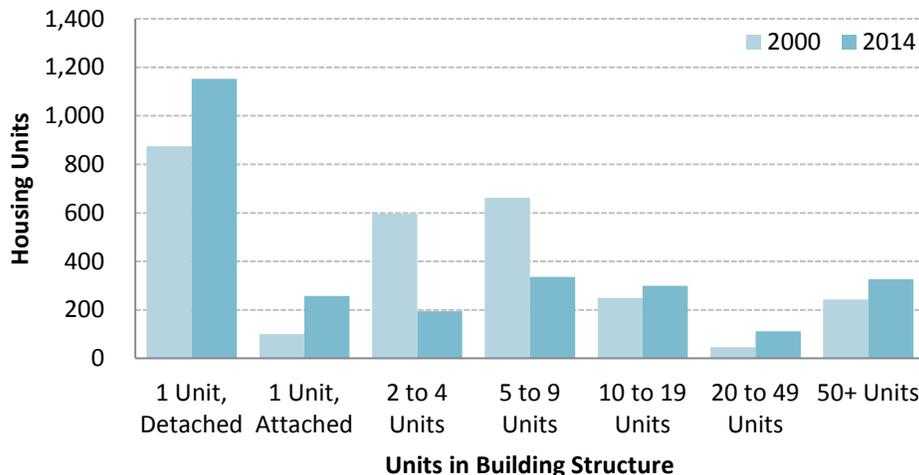
**Figure 4**  
**Residential Building Permits, 2003- 2014**



Source: U.S. Census C-40; City of North Kansas City; Economic & Planning Systems

The housing stock in North Kansas City is comprised of 49 percent single-family dwelling units, and 51 percent multifamily dwelling units (2 or more units in a structure). Since 2000, the inventory of single-family homes and multifamily housing over 10 units has increased, while apartments with 2 to 9 units decreased (a total of 729 units lost from these categories). This change in housing inventory composition is largely attributed to the redevelopment activity for Northgate.

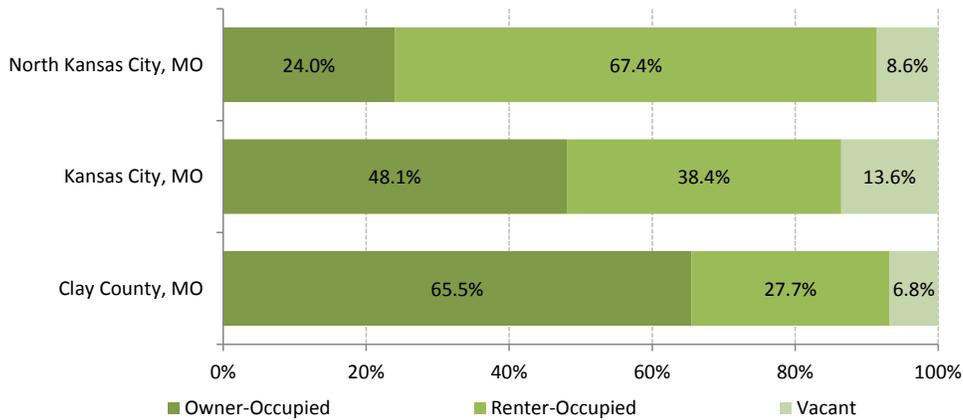
**Figure 5**  
**Housing Inventory by Units in Structure, 2000-2014**



Source: ESRI; Economic & Planning Systems

North Kansas City has a larger percentage of renters than owners compared to surrounding communities with 67.4 percent of households renting. Many urban neighborhoods occupied predominantly by renters can be stable neighborhoods if they have access to jobs, training, education, and services. Kansas City, MO has 38.4 percent renter households, and Clay County has of 27.7 percent renter households (**Figure 6**). Since nearly two-thirds of the residential inventory is comprised of single-family detached and attached homes, many of these renters are living in single-family homes, particularly in the Avenues.

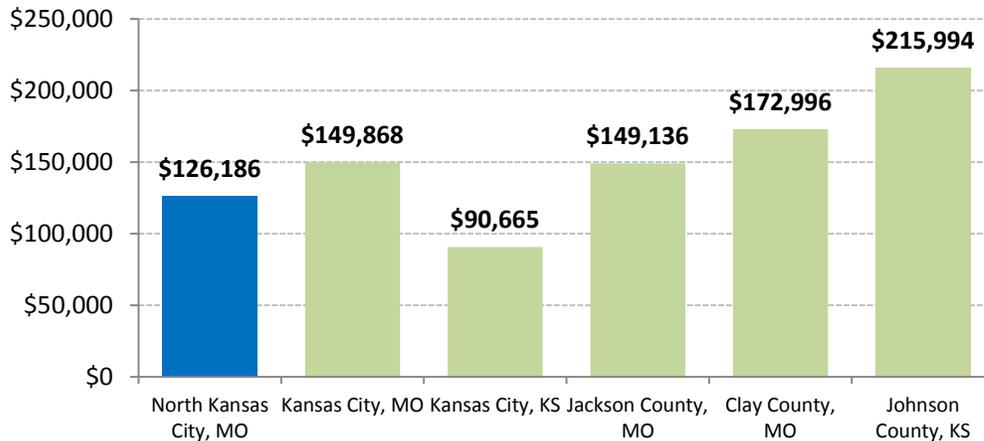
**Figure 6**  
**Housing Units by Tenure by City, 2014**



Source: ESRI; Economic & Planning Systems

The median home value in North Kansas City is \$126,186 (**Figure 7**). The majority of homes in the city (70 percent) are valued between \$50,000 and \$150,000. Median values in Kansas City, MO, and Clay County are higher at \$149,868 and \$172,996 respectively. Johnson County, KS has the highest average home values in the region, at \$215,994.

**Figure 7**  
**Median Home Value, 2014**



Source: ESRI; Economic & Planning Systems

## Neighborhoods

### Northgate

Northgate is an urban village that includes 96 single-family homes, 29 patio homes, and 94 row homes (219 total). The neighborhood is located between Burlington and Howell streets, across from Macken Park in North Kansas City. It was developed under a partnership between Hunt Midwest and the City of North Kansas City. The homes range in price from the low \$200,000s to mid \$300,000s. Northgate Village also includes CityView, which is comprised of 400 multifamily apartments with studio, one, and two-bedroom rents of \$990 to \$1,350 and Gardens at Northgate, a 180-apartment senior living complex with average one and two-bedroom rents of \$700 to \$950.

Northgate Village offers a unique “walkable” neighborhood serving a number of lifestyles, incomes and living options. Amenities include landscaped parks, brick crosswalks, a pedestrian-friendly grid layout and fiber-optic high speed internet service. Northgate Village is a 10-minute drive from Downtown Kansas City.

### Avenues

The Avenues is the residential neighborhood of 21<sup>st</sup> through 25<sup>th</sup> Avenues between Iron Street and Quebec Street. This 16-block neighborhood is a middle income community comprised of a mixture of seniors aging in place and young family renters. The housing stock located here comprises of bungalows and ranches built in the 1940s. Many owners have lived here since then, and by now are empty-nesters or have moved elsewhere and rent out their homes to younger households. Due to the age of the buildings and a lack of upkeep, many of the homes are not up to code; the City is currently evaluating solutions to improve the quality of the existing housing. The average home value in this neighborhood ranges between \$75,000 and \$120,000.

### River Market

While River Market is outside NKC, this up and coming neighborhood has been a popular redevelopment area in recent years. Its close proximity and prior grit makes it a noteworthy example of the growing demand for urban housing which North Kansas City could capture. River Market stretches north of the downtown Interstate 70 loop to the Missouri River, and is bordered by the Broadway Bridge on the west and the Heart of America Bridge on the east. The large riverfront warehouses have been converted into residential lofts, restaurants, bars, shops, cafes, and ethnic markets. Several firms have recently relocated into the district to capitalize on the new young professional talent in the neighborhood. River Market has positioned itself as a dense, mid- to high-rise rental market for residential due to its proximity to close-in commercial activity and downtown employment. One-bedroom rents average from \$1,200 to \$1,700 per month compared to \$1,000 to \$1,200 for a one-bedroom apartment in Northgate.

## Economic Context

### Economic Base

The Kansas City Area Development Council identifies the following industries as the area's current key industries:

- Biosciences (Professional, Scientific, and Technical Services)
- Contact Centers (Administrative and Support Services)
- Data Centers (Information)
- Transportation and Distribution (Transportation and Warehousing)
- Manufacturing (Multiple Sectors)
- Technology; and
- Financial Services

From an employment perspective, Government is the largest industry in Kansas City, MO MSA with 161,104 employees. After Government services, the second largest industry in the region is Health Care and Social Assistance, with over 123,000 employees (**Table 4**). HCA Midwest Health System, which spans 10 hospital campuses, is the largest private employer in the MSA with over 9,300 employees. Including other offices in the region, Cerner is another top employer, with 8,300 employees around the world (4,400 in the KC region).

Retail Trade is the third largest industry, with 107,440 employees. Professional, Scientific, and Technical Services, Manufacturing, and Administrative and Support Services are among the other major industries in the region.

**Table 4**  
**Total Employment in Kansas City, MO MSA by Industry, 2013**

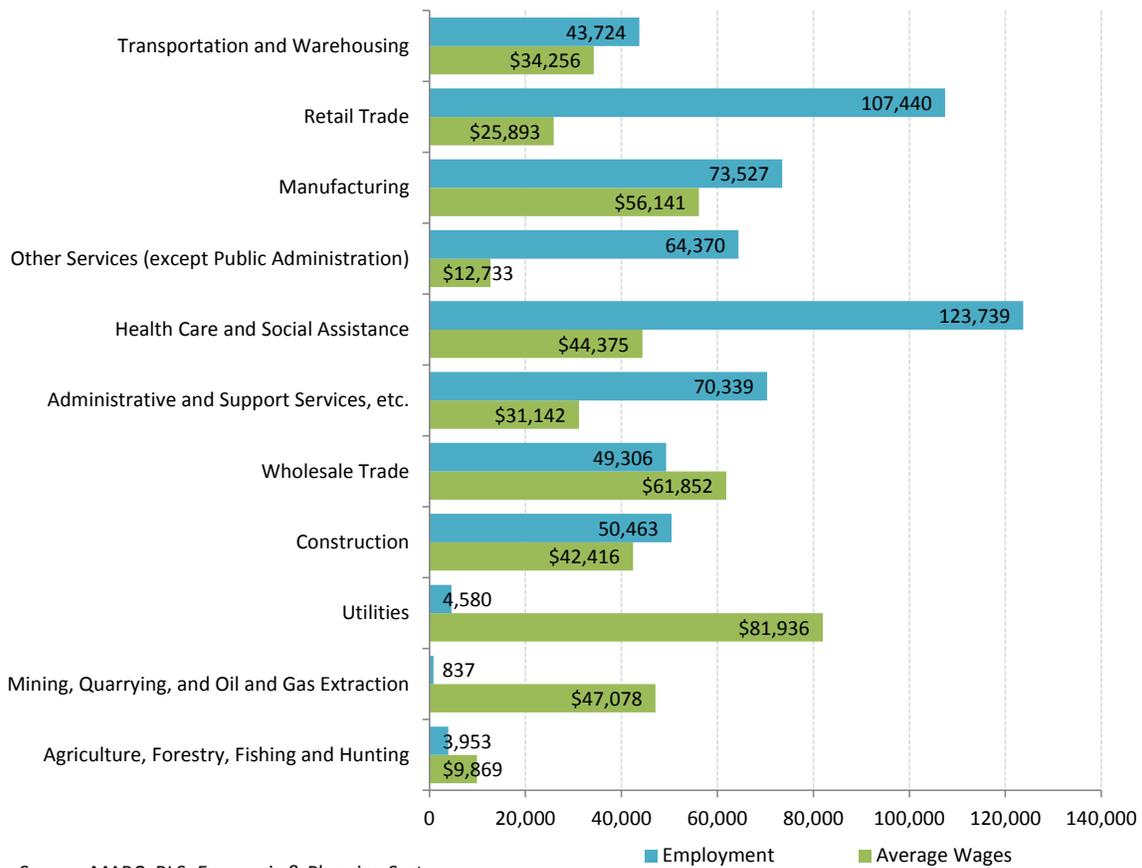
	Total Employment	% of Total
Agriculture, Forestry, Fishing and Hunting	3,953	0.4%
Mining, Quarrying, and Oil and Gas Extraction	837	0.1%
Utilities	4,580	0.4%
Construction	50,463	4.7%
Wholesale Trade	49,306	4.6%
Information	27,349	2.5%
Finance and Insurance	53,867	5.0%
Real Estate and Rental and Leasing	16,630	1.5%
Professional, Scientific, and Technical Services	82,787	7.7%
Management of Companies and Enterprises	17,389	1.6%
Administrative and Support Services, etc.	70,339	6.5%
Educational Services	18,515	1.7%
Health Care and Social Assistance	123,739	11.5%
Arts, Entertainment, and Recreation	19,865	1.8%
Accommodation and Food Services	84,693	7.9%
Other Services (except Public Administration)	64,370	6.0%
Government	161,104	15.0%
Manufacturing	73,527	6.8%
Retail Trade	107,440	10.0%
Transportation and Warehousing	<u>43,724</u>	<u>4.1%</u>
<b>Total</b>	<b>1,074,477</b>	<b>100.0%</b>

Source: MARC; Economic & Planning Systems

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The average wage in each industry is one indicator of that industry's contribution to the economy, as shown in **Figure 8**. Higher wage jobs support higher household incomes and support additional service jobs and demand fewer public and social services. They are also an indication of worker productivity and skill levels. Key industries (low to medium employment, high wage), such as utilities, wholesale trade, and manufacturing, support higher household incomes and, consequently, more disposable income which supports services from secondary industries, such as retail trade and personal services.

**Figure 8**  
**Total Jobs and Average Wages by Industry, Kansas City, MO-KS, MSA, 2013**



The top six employers in North Kansas City are Cerner Corporation, a healthcare IT supplier, the North Kansas City Hospital, Harrah's Casino, the Henry Wurst, Inc. printing company, Helzberg's Diamond Shops, and Ingredion, a corn starch manufacturer (**Table 5**).

**Table 5**  
**Top Employers in the City, 2015**

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<b>Name</b>	<b>Product/Service</b>	<b>Employees</b>
Cerner Corporation	Healthcare software, IT data-storage	4,400
North Kansas City Hospital	Not-for-profit acute care health facility	3,000
Harrah's Entertainment	Casino entertainment and hotel	1,600
Henry Wurst, Inc.	Printing	250
Helzberg's Diamond Shops	Fine jewelery retail stores	230
Ingredion	Cornstarch materials exports	230

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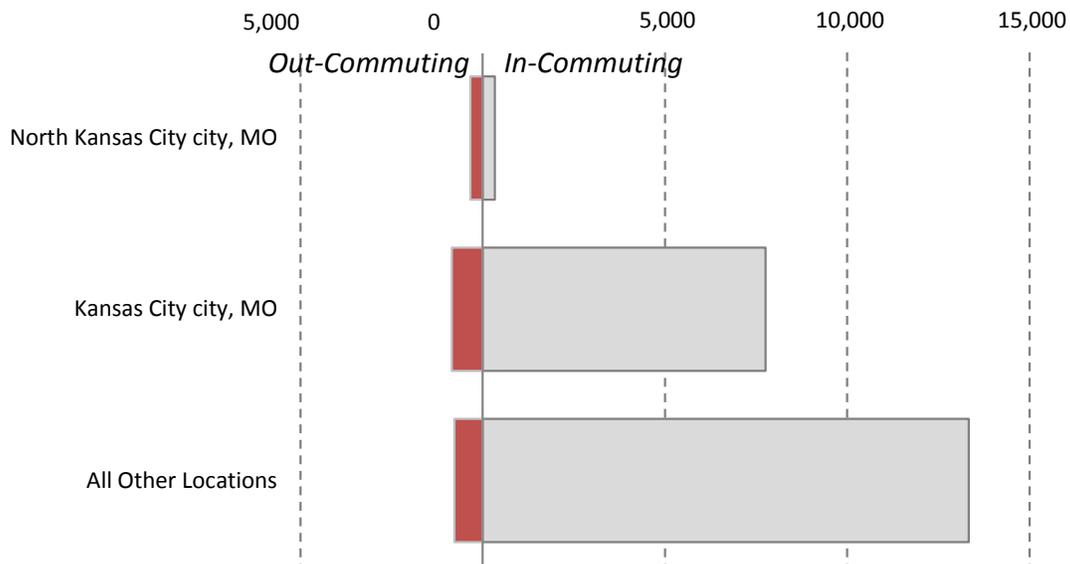
Source: City of North Kansas City, Economic & Planning Systems

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## Commuting Patterns

A distinguishing characteristic of North Kansas City is the large number of in-commuters compared to residents. North Kansas City has a daytime population of 34,700 compared to the resident population of 4,281. The majority of the service demands are therefore related to employees and commercial development rather than the resident population. The majority of employees in the city commute from Kansas City, MO and other nearby locations (Independence, Gladstone, Overland Park, Kansas City, KS, etc.) as shown **Figure 9**. In 2011, approximately 7,800 Kansas City, MO residents commuted to North Kansas City for work. In contrast, few North Kansas City residents commute out to other locations for work. In 2011, approximately 2,700 residents commuted to Kansas City, MO and other locations outside of the city for work.

**Figure 9**  
**Commuting Patterns, North Kansas City, 2011**



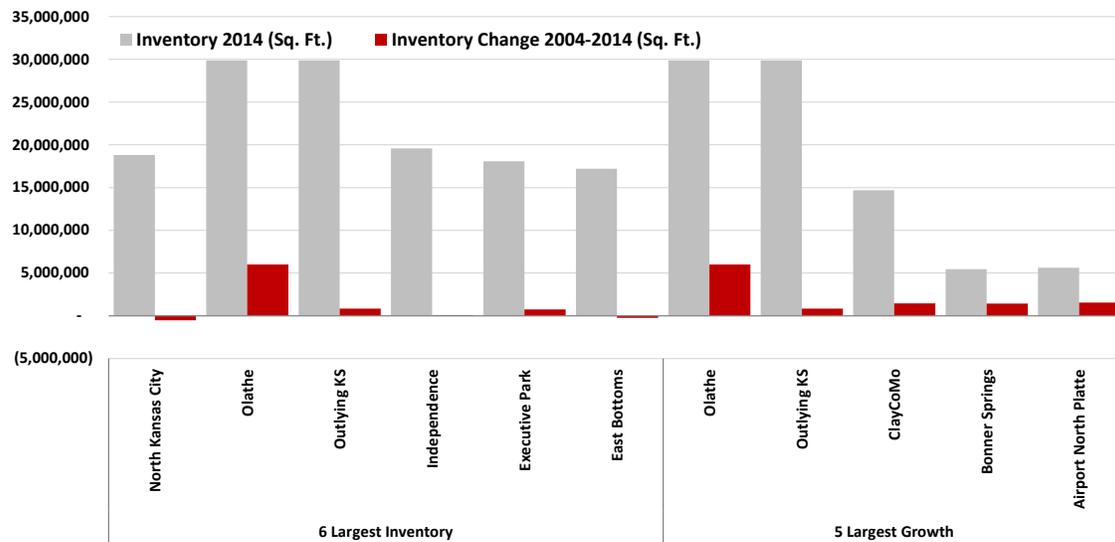
Source: LEHD 2011; Economic & Planning Systems

## 2. MARKET CONDITIONS

### Industrial Market

The North Kansas City industrial submarket is the 6<sup>th</sup> largest submarket in the Kansas City region industrial market with 18.8 million square feet of space (**Figure 10**). The Olathe (Johnson County, KS) and Outlying Kansas submarket along west Interstate 70 are the two largest submarkets with nearly 30 million square feet each. The Executive Park submarket, located along the south side of the Missouri River between I-35 and I-435 contains 18.0 million square feet, and the East Bottoms area in Kansas City contains slightly less than 18 million square feet. The East Bottoms and Executive Park area are similar to North Kansas City in that they are centrally located with older industrial buildings that still have low vacancies due to their central location. While these central submarkets are large players in the regional industrial market, they have very little land capacity for growth.

**Figure 10**  
**Industrial Inventory and Growth Trends**



Most of the growth in the industrial market is occurring in the suburban and outlying submarkets including the Olathe, ClayCoMo, Bonner Springs, and Airport and North Platte County submarkets. These areas have ample vacant land for the development of modern high ceiling warehousing and manufacturing facilities with large truck trailer storage and maneuvering areas. National and international businesses from major industries discussed earlier locate in these business parks.

Many buildings in North Kansas City have ceiling heights of 12 to 18 feet which is well below the standard of 24 to 36 feet clear span today. In addition, limited trailer storage, and truck and employee parking has been cited as an issue for North Kansas City industrial property. Despite the older building stock, NKC is still an attractive location for firms headquartered in the Kansas City region (regional and local firms). Businesses in NKC industrial space include a wide variety of trades including wholesale food distributors, building materials suppliers, construction/general contracting companies, printers, and packaging manufacturers and wholesalers.

The industrial vacancy rate in NKC is currently 5.8 percent, which is on the lower end of the range relative to other major markets (**Table 6**). While average rents are lower than other markets, they reflect the older building stock and parking and access constraints mentioned above. Low vacancy is a good indicator of strong demand for industrial space, and local property owners have stated that the NKC market is stable and desirable for local and regional businesses.

**Table 6**  
**Kansas City Region Industrial Rents and Vacancy Rates**

Submarket	Average Rent (Triple Net)	Vacancy Rate
<b>6 Largest Inventory</b>		
North Kansas City	\$3.50	5.8%
Olathe	\$5.01	5.1%
Outlying KS	\$4.20	6.1%
Independence	\$4.64	9.0%
Executive Park	\$4.62	5.5%
East Bottoms	\$3.67	10.9%
<b>5 Largest Growth</b>		
Olathe	\$5.01	5.1%
Outlying KS	\$4.20	6.1%
ClayCoMo	\$5.01	8.5%
Bonner Springs	\$5.99	3.5%
Airport North Platte	\$5.67	9.9%
<b>Kansas City Market</b>	<b>\$5.07</b>	<b>6.5%</b>

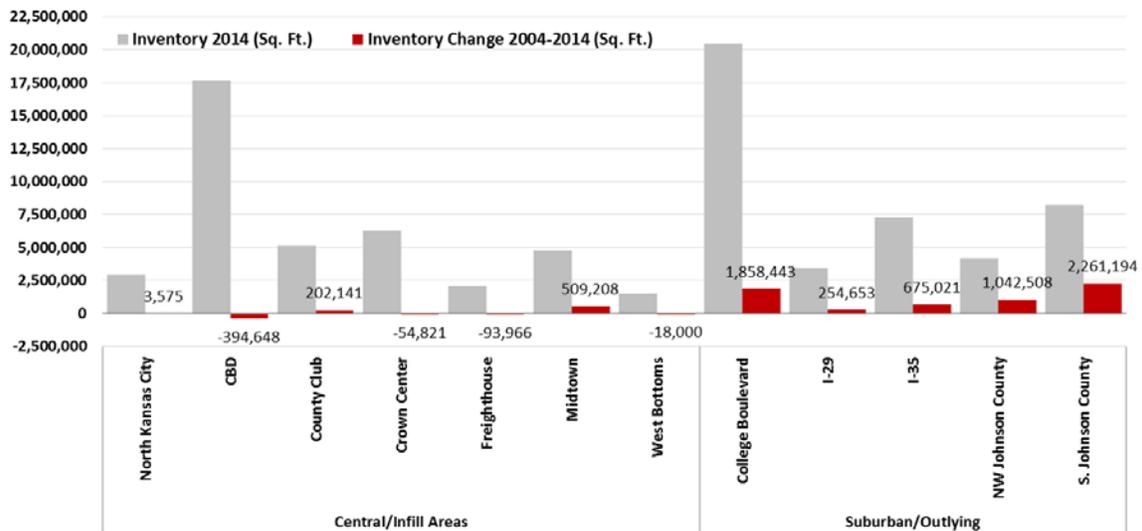
Source: CoStar, Economic & Planning Systems

H:\133090-North Kansas City, MO Comp Plan\Data\133090-Industrial.xlsx\Size v Growth

## Office Market

In contrast to the industrial market in which NKC is one of the largest submarkets, NKC has only a small amount of office space, with 2.5 million square feet (**Figure 11**). The Cerner campus is 1.4 million square feet and is not included in these figures which mostly include multi-tenant buildings rather than owner-occupied buildings. Nearly 2.0 million square feet of this space is classified as medical office space and is concentrated in and around the North Kansas City Hospital campus. In contrast, the Downtown Kansas City, MO Central Business District (CBD) has 17.5 million square feet, and the College Boulevard corridor in Johnson County, KS has just over 20 million square feet. NKC has had little measureable growth in office space since 2004 with only 3,575 square feet of new inventory recorded in the brokerage statistics.

**Figure 11**  
**Office Inventory and Growth Trends**



With more available land and fewer complexities related to infill and redevelopment, the vast majority of the growth in office space, like industrial space, is occurring in the suburban submarkets. The College Boulevard corridor added 1.9 million square feet from 2004 through 2014, and the Johnson County, KS submarkets added over 3.2 million square feet. NKC did not have any growth of regional significance.

Much of North Kansas City's office space is medical office which typically rents at a premium compared to standard business office space. The 1.8 million square feet of Class B space in NKC is largely medical office, with rents in the \$25 per square foot range (**Table 7**). Smaller professional office spaces along Swift Street and Armour Road, such as the Town Square and Northtown Professional buildings have lease rates in the high teens per square foot. Since per square foot rents are typically higher for small spaces, this suggests that quality office space in NKC rents for prices similar to Downtown Kansas City office space. The rent levels for quality space also suggest that NKC can be a desirable office location if quality space can be provided.

**Table 7**  
**Kansas City Office Market Summary**

Class	North Kansas City	CBD	Country Club	Crown Center	Midtown
<b>Class A</b>					
Inventory	---	5,225,006	2,850,444	2,538,635	564,310
Average Rent	---	\$18.29	\$22.87	\$18.42	---
Vacancy Rate	---	23%	11%	24%	---
<b>Class B</b>					
Inventory	1,869,749	10,068,920	1,980,650	2,717,901	2,240,511
Average Rent	\$17.62	\$15.33	\$22.85	\$17.53	\$15.28
Vacancy Rate	2%	14%	8%	5%	6%
<b>Class C</b>					
Inventory	370,594	2,331,498	284,586	967,938	1,968,974
Average Rent	\$11.53	\$17.06	\$19.52	\$3.26	\$12.94
Vacancy Rate	6%	6%	6%	12%	6%

Source: CoStar, Economic & Planning Systems

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An important emerging trend in NKC is the conversion of industrial buildings to office space. Over the past five to 10 years several small engineering, architecture, and software and information technology firms have moved into NKC. Some of these firms have moved into former industrial or obsolete retail/commercial buildings that have been modestly renovated and converted to office and flexible workspace. These firms are attracted by lower rents than Downtown Kansas City, the central location, a three gigabyte per second fiber optic network, and the fact that North Kansas City does not have an earnings tax. Kansas City, MO collects a 1.0 percent earnings tax on all employees working in Kansas City.

Developers and property owners report that the industrial building costs are low enough that they can be acquired and converted to office space and rental at rates sufficient to cover renovation costs. This activity is occurring gradually along the three corridors east of Burlington: Clay, Swift, and Erie. The largest costs in these types of conversions are upgrading the HVAC, lighting, and fire protection systems to modern efficiency and building code standards.

## Office and Industrial Development Strategies

### Industrial

It is unlikely that industrial space will grow significantly in NKC. This is primarily due to the lack of suitable sites on which to build modern industrial and flex buildings with adequate truck and parking facilities. It is conceivable that some industrial property could be assembled and redeveloped over time, primarily in the Passaic Industrial District as this area has larger parcel sizes that require less land assemblage. However this is largely speculative and would be in the distant future. A risk for NKC is the decline in the quality of industrial space if it is not maintained, and continued competition with newer suburban space as industrial needs evolve. New uses should be identified for areas where buildings are obsolete for traditional industrial use.

- The best industrial districts that are functioning with industrial businesses should be stabilized to allow them to continue to generate economic activity.
- The conversion of industrial property to other uses should be encouraged in the areas where this is already occurring, such as the Swift, Erie, and Clay corridors.
- Areas of obsolete and poor quality buildings should be identified and targeted for land assemblage and redevelopment with other uses.

### Office

As noted above, the market for office space in NKC is in small young “creative” firms including technology, engineering, architecture, media, custom product fabrication and design, and other firms seeking an urban environment. It is possible that the ARRA site could be attractive to a large corporate user if there is an identified opportunity. Given the infill and redevelopment context, new office construction or conversions will be smaller in scale and targeted at local and regional firms and new business startups.

### Adaptive Reuse

While the overall industrial market is strong, there are many buildings that are in disrepair or are functionally obsolete for continued industrial use. Some buildings are suitable for adaptive reuse – the conversion of an existing building from its current use to another use.

- Residential – the most desirable industrial buildings to convert to residential space are multistory mill type buildings such as those found in the River Market, Crossroads, and West Bottoms area. NKC does not have many multistory industrial buildings of this type with the exception of the Northland Lofts building.
- Office – Several professional firms (engineering, architecture), creative businesses (web services, marketing), and technology and IT support firms have moved into former industrial buildings that have been renovated and converted to office space.
- Other/Flexible Uses – The Cinder Block and Big Rip breweries have located in former industrial buildings and include seating areas for the tasting rooms. Small custom fabrication and manufacturing firms utilize these older buildings as well. In high visibility and high traffic locations, many buildings are suitable for retail use. Data centers are also emerging in NKC due to the high quality fiber optic network.

The conversion of former industrial buildings to office, retail/commercial, and other flexible uses is occurring on the Clay, Swift, and Erie corridors. This market trend presents an opportunity to diversify the employment base and attract new amenities to NKC. Some buildings are more attractive than others. Local real estate experts suggested that buildings that have 12 to 16 foot ceilings and wood structural components are the most suitable. These can be retrofitted with additional windows and simple but modern interior finishes that are attractive in today's market, especially to firms with a younger workforce.

## Retail and Commercial Development

North Kansas City has one of the few true walkable traditional "Main Streets" in the Kansas City region along its Armour Road corridor. This is a major asset to the community and should be a priority area in the Master Plan. The mix of businesses includes many types found in small downtown areas, such as restaurants, cafes, bars, boutique retail, and small office buildings and comprises a total of approximately 500,000 square feet of development.

### Retail Demand

The amount of retail space that a community can support is a function of its population or number of households and its corresponding retail spending patterns and income levels. The geography of the community's retail trade area, and the competitive retail supply in that trade area, also need to be considered. This section provides estimates of the amount of retail space that can be supported in NKC at different hypothetical levels of household growth. Four estimates of supportable retail space (retail demand) are provided. First, retail demand is estimated at 2,405 households, the current number of households in the City. Next, retail demand is estimated if NKC were to grow to include 5,000, 7,500, and 10,000 households.

The total spending by NKC households is estimated by multiplying the average household income by the number of households (**Table 8**). The existing 2,405 households generate \$103 million in total household income (THI).

**Table 8**  
**Total Household Income**

ACS Based THI	Households NKC 2014	Households		
		5,000	7,500	10,000
Households (ACS 2014)	2,405	5,000	7,500	10,000
Average Household Income (ACS 2014)	<u>\$42,838</u>	<u>\$42,838</u>	<u>\$42,838</u>	<u>\$42,838</u>
<b>Total Household Income (\$000s)</b>	<b>\$103,025</b>	<b>\$214,190</b>	<b>\$321,285</b>	<b>\$428,380</b>

Source: US Census of Retail Trade; ACS; Economic & Planning Systems

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Next, the estimated proportion of household income spent on retail goods is applied to the total household income figures for each scenario. As shown, the 2,405 existing households spend approximately \$37.7 million on retail goods, or 36.6 percent of household income (**Table 9**).

**Table 9**  
**Retail Expenditure Potential by Store Type, North Kansas City**

Store Type	% of THI	Households			
		2,405 Existing 2014	5,000	7,500	10,000
<b>Trade Area, THI (\$000s)</b>	<b>100.0%</b>	<b>\$103,025</b>	<b>\$214,190</b>	<b>\$321,285</b>	<b>\$428,380</b>
<b>Convenience Goods</b>					
Supermarkets and Specialty Grocery Stores	6.5%	\$6,679	\$13,886	\$20,828	\$27,771
Convenience Stores (incl. Gas Stations) <sup>1, 2</sup>	2.7%	\$2,830	\$5,884	\$8,826	\$11,769
Beer, Wine, & Liquor Stores	0.5%	\$519	\$1,078	\$1,617	\$2,157
Health and Personal Care	3.2%	\$3,271	\$6,800	\$10,200	\$13,600
<b>Total Convenience Goods</b>	<b>12.9%</b>	<b>\$13,299</b>	<b>\$27,648</b>	<b>\$41,472</b>	<b>\$55,296</b>
<b>Shopper's Goods</b>					
<b>General Merchandise</b>					
Traditional Department Stores	0.7%	\$763	\$1,586	\$2,380	\$3,173
Discount Department Stores	1.3%	\$1,373	\$2,854	\$4,281	\$5,708
Warehouse clubs & supercenters	4.7%	\$4,882	\$10,151	\$15,226	\$20,301
All other general merchandise stores	0.7%	\$687	\$1,427	\$2,141	\$2,855
<b>Subtotal</b>	<b>7.5%</b>	<b>\$7,705</b>	<b>\$16,018</b>	<b>\$24,028</b>	<b>\$32,037</b>
<b>Other Shopper's Goods</b>					
Clothing & Accessories	2.7%	\$2,800	\$5,822	\$8,733	\$11,643
Furniture & Home Furnishings	1.0%	\$1,070	\$2,225	\$3,337	\$4,449
Electronics & Appliances	1.2%	\$1,240	\$2,577	\$3,866	\$5,155
Sporting Goods, Hobby, Book, & Music Stores	0.9%	\$930	\$1,933	\$2,900	\$3,867
Miscellaneous Retail	1.1%	\$1,173	\$2,439	\$3,658	\$4,878
<b>Subtotal</b>	<b>7.0%</b>	<b>\$7,213</b>	<b>\$14,996</b>	<b>\$22,494</b>	<b>\$29,992</b>
<b>Total Shopper's Goods</b>	<b>14.5%</b>	<b>\$14,918</b>	<b>\$31,014</b>	<b>\$46,521</b>	<b>\$62,029</b>
<b>Eating and Drinking</b>	<b>6.0%</b>	<b>\$6,163</b>	<b>\$12,813</b>	<b>\$19,220</b>	<b>\$25,626</b>
<b>Building Material &amp; Garden</b>					
<b>Total Building Material &amp; Garden</b>	<b>3.3%</b>	<b>\$3,357</b>	<b>\$6,980</b>	<b>\$10,470</b>	<b>\$13,960</b>
<b>Total Retail Goods (\$000s)</b>	<b>36.6%</b>	<b>\$37,737</b>	<b>\$78,456</b>	<b>\$117,684</b>	<b>\$156,911</b>

<sup>1</sup>Convenience Stores w/Gas (44711) are multiplied by 50% to exclude gas sales

Source: Census of Retail Trade, Economic & Planning Systems

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Retail spending potential is translated to retail square feet by dividing the household spending potential by store type by typical sales per square foot estimates for each store type. These are the minimum sales thresholds that the retailers in each category would need to achieve to justify a new store. As shown, the current population supports nearly 17,000 square feet of grocery space, which is substantially less than the standard new supermarket formats of 55,000 to 65,000 square feet (**Table 10**). At 7,500 households, there would be just enough spending to support a full service supermarket.

The general merchandise category contains department stores (e.g., Macy's, Neiman Marcus) and discount retailers such as Target, Wal-Mart, and Kohl's. It also includes warehouse and wholesale clubs such as Costco and Sam's Club. Standard store sizes for department stores are approximately 75,000 square feet, and up to approximately 125,000 square feet for supercenters. Warehouse and wholesale clubs are typically at least 100,000 square feet as well. At 7,500 households, the spending in the general merchandise category is sufficient to support one store in this category such as a discount department store. However, as will be discussed, attracting a store like this may still be challenging given NKC's trade area geography and the presence of existing competition just to the north.

**Table 10**  
**Supportable Retail Square Feet, North Kansas City**

Store Type	Required Sales Per Sq. Ft.	Supportable Sq. Ft.			
		2,405 Households	5,000 Households	7,500 Households	10,000 Households
<b>Convenience Goods</b>					
Supermarkets and Specialty Grocery Stores	\$400	16,697	34,714	52,071	69,428
Convenience Stores (incl. Gas Stations) <sup>1,2</sup>	\$400	7,076	14,711	22,066	29,421
Beer, Wine, & Liquor Stores	\$300	1,729	3,594	5,391	7,188
Health and Personal Care	\$400	<u>8,177</u>	<u>17,000</u>	<u>25,500</u>	<u>34,000</u>
<b>Total Convenience Goods</b>		<b>33,679</b>	<b>70,019</b>	<b>105,028</b>	<b>140,038</b>
<b>Shopper's Goods</b>					
<b>General Merchandise</b>					
Traditional Department Stores	\$200	3,815	7,932	11,898	15,864
Discount Department Stores	\$300	4,576	9,514	14,271	19,028
Warehouse clubs & supercenters	\$500	9,765	20,301	30,452	40,602
All other general merchandise stores	\$200	<u>3,433</u>	<u>7,136</u>	<u>10,704</u>	<u>14,273</u>
<b>Subtotal</b>		<b>21,589</b>	<b>44,883</b>	<b>67,325</b>	<b>89,767</b>
<b>Other Shopper's Goods</b>					
Clothing & Accessories	\$350	8,001	16,633	24,950	33,267
Furniture & Home Furnishings	\$250	4,280	8,898	13,348	17,797
Electronics & Appliances	\$500	2,479	5,155	7,732	10,310
Sporting Goods, Hobby, Book, & Music Stores	\$350	2,657	5,524	8,286	11,048
Miscellaneous Retail	\$250	<u>4,692</u>	<u>9,755</u>	<u>14,633</u>	<u>19,511</u>
<b>Subtotal</b>		<b>22,109</b>	<b>45,966</b>	<b>68,948</b>	<b>91,931</b>
<b>Total Shopper's Goods</b>		<b>43,698</b>	<b>90,849</b>	<b>136,274</b>	<b>181,698</b>
<b>Eating and Drinking</b>	<b>\$350</b>	<b>17,609</b>	<b>36,609</b>	<b>54,913</b>	<b>73,217</b>
<b>Building Material &amp; Garden</b>	<b>\$300</b>	<b>1,549</b>	<b>3,220</b>	<b>4,830</b>	<b>6,441</b>
<b>Total Retail Goods</b>		<b>96,535</b>	<b>200,697</b>	<b>301,046</b>	<b>401,394</b>

<sup>1</sup>Convenience Stores w/Gas (44711) are multiplied by 50% to exclude gas sales

Source: Census of Retail Trade, Economic & Planning Systems

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The other shoppers goods category contains clothing, hobby, book, music, sporting goods, and miscellaneous retail stores found in malls, open air lifestyle retail centers, downtown areas, and smaller community shopping centers. There is therefore more flexibility in the building formats for these store types, although national retailers often have strict trade area demographic requirements and site location requirements for new stores. The current population supports just over 22,000 square feet of space. The current store mix in downtown meets some of this demand from NKC residents. At 7,500 households, demand would grow to nearly 70,000 square feet which is enough to create "critical mass" in a downtown retail setting, or to tenant a community shopping center anchored by a grocer.

In the restaurant and bar (eating and drinking) category, the current population supports just under 20,000 square feet of space. There are roughly 25 restaurants in NKC currently, including a mix of sit down restaurants which includes Chappell's, a destination sports bar, the Le Monde Bakery, a popular bakery with locals, and other fast food, sit down, and barbeque restaurants. Expanding restaurants may be challenging without additional population growth or employment growth. There is not enough demand in the building material category to be of any significance.

## Employee Spending

There are a large number of employees in NKC compared to its population. Employee spending contributes primarily to businesses that serve this daytime demand, such as restaurants, coffee shops, and some convenience goods. The majority of convenience goods and grocery purchases are made close to home, rather than close to work. Using the upper end of spending averages for suburban employees (largely office employees based on available data), the 34,000 non-resident employees in NKC create demand for 10,000 to 15,000 square feet of retail and restaurant space (**Table 11**). This is equivalent to approximately half a square foot of space per employee.

Expanding employment, particularly in high wage knowledge-based industries, will further support demand in restaurants and bars and some miscellaneous retail. This will help to reinforce "Main Street" (Armour Road) retail conditions.

**Table 11**  
**Retail Demand from Employee Spending**

Description	Spending Factors	Sales per Sq. Ft.	Supportable Sq. Ft.
<b>Nonresident Employees</b>	<b>34,000</b>		
<b>Weekly Spending per Employee [1]</b>			
Discount Stores/General Merchandise	\$18.00		
Grocery, Drug, Convenience	\$40.00		
Shoppers Goods	\$55.00		
Sit Down Restaurants	\$7.00		
Fast/Quick Serve Restaurants/Delis	<u>\$11.00</u>		
<b>Total</b>	<b>\$131.00</b>		
<b>Annual Spending by Store Type [2]</b>			
Discount Stores/General Merchandise	\$620,000	\$300/Sq. Ft.	2,100
Grocery, Drug, Convenience	1,377,000	\$400/Sq. Ft.	3,400
Shoppers Goods	1,894,000	\$300/Sq. Ft.	6,300
Sit Down Restaurants	241,000	\$350/Sq. Ft.	700
Fast/Quick Serve Restaurants/Delis	<u>379,000</u>	\$350/Sq. Ft.	<u>1,100</u>
<b>Total</b>	<b>\$4,511,000</b>		<b>13,600</b>
<b>Sq. Ft. of Demand Per Employee</b>			<b>0.40</b>

[1] International Council of Shopping Centers (ICSC) Survey of Office Workers. Suburban Setting with ample retail offerings.

[2] Annualized at 48 weeks to account for vacations and holidays.

Source: ICSC, Economic & Planning Systems

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## NKC Retail Trade Area

The retail demand projections shown above need to be considered along with the geography of NKC's retail trade area and the competitive store/shopping center inventory. The Missouri River is an important feature that divides the three mile radius north and south (**Figure 12**). There is also a large amount of industrial development along the river with little population. The physical and perception barrier created by the river, and the low population density in much of this three mile radius reduces the potential population that can be served by retailers located in NKC. For day-to-day retail, the NKC trade area is north of the river.

The Vivion Road corridor, 2.5 to 3.0 three miles to the north along North Oak Traffic Way, and Chouteau Traffic Way corridors have several retail centers tenanted with warehouse clubs, home improvement centers, discount retailers, and department stores. The Barry Road and Highway 152 interchanges with I-29/US-71 another 2.0 miles to the north has a large agglomeration of regional retail with 1.4 million square feet in the North Oak Village and Chateau Crossings Shopping Centers and over 500,000 square feet in the Antioch Center currently being redeveloped after a period of slowed activity following the recession.

Vivion Road, a major east/west artery, carries nearly 20,000 cars per day. North Oak Trafficway, long considered one of the major north/south arteries serving the northland retail area, carries over 26,000 cars per day. In addition, Interstate 29 has over 78,000 cars per day.

**Figure 12**  
**NKC Retail Trade Area**



## Retail Development Strategies

Based on the retail market analysis above, this section provides recommendations on strengthening and expanding retail in NKC. Having enough retail to meet resident and employee needs is important to quality of life as well as business attraction and retention.

- **Housing and population** – The small population in NKC is the major limiting factor to additional retail and restaurant growth. This challenge is not unique to NKC; the retail-housing balance is a “chicken and egg” problem especially in small communities – additional retail space is needed to attract residents and businesses, but more residents are needed to support the retail space. The Master Plan should identify sites or districts for residential infill development and redevelopment to increase NKC’s population. Apartments, lofts, and townhomes are all within reason from a market perspective, and should be executed with attention to urban design and architectural character (in the style of redeveloped River Market, Crossroads) in order to serve young, active families and to elevate the building quality within the city.
- **Business Types** – NKC’s market niche for retailers and restaurants is local or Kansas City region-based businesses. The retail demand analysis indicated that the opportunities for traditional anchor-driven retail development are limited in NKC by the small trade area size and competition in Kansas City North. There is a growing food cluster in NKC with two breweries and a distillery. Additional specialty food and restaurant businesses could be pursued to create a food/restaurant district. Combined with light manufacturing space, some retail businesses could also operate as showrooms for specialty products made in NKC. Examples from other urban edge industrial areas include clothing, sporting goods (bicycle building), personal and household accessories, art, and custom furniture. If enough of these businesses can be aggregated, it can create a regional destination in NKC. The plan should focus on low-cost flexible commercial space that can accommodate a wide variety of uses.
- **Armour Road “Main Street”** – Retail and restaurant development performs best when there is a “critical mass” of space. Critical mass is achieved when there are multiple store and restaurant types located closely together to provide options, comparison shopping, and the sense that there is a place or destination. As the City’s original commercial district, Armour Road is recommended to be the focal point for additional retail/commercial infill development.
- **ARRA Site** – The ARRA site has direct highway access and good visibility. It is also large enough to accommodate standard suburban retail formats. It is possible that a “one in the market” retailer could be interested in this site. Examples of one in the market retailers include Ikea (located in Merriam, KS), Cabela’s (located in The Legends), or Alamo Drafthouse (Power and Light District), or others that could emerge. The ARRA site framework plan calls for higher densities than suburban retail formats typically build; flexible and creative site planning may be needed to accommodate this type of use.
- **Burlington Corridor** – Access to property along the Burlington Corridor is limited in most areas to right-in-right-out (RIRO) access. The high travel speeds along this corridor, and perception that it is something to get through on the way to Kansas City, have limited retail development potentials along this corridor. Northgate has experienced challenges in attracting additional retail due to these factors.