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but this demand would still likely be secondary to demand from Longmont residents. Southwest Weld has finally reached a critical mass from a retail standpoint and is now seeing development of neighborhood- and community-scale grocery-anchored retail – reducing its dependence on Longmont for basic shopping needs. In this analysis, estimates of trade area consumer spending potential (modeled on Census-based Consumer Spending Patterns data) are compared to estimates of existing retail supply across several spending categories. Discrepancies in these supply and demand estimates are considered indicative of potential gaps or “voids” – areas where local retail supply is not meeting local demand. In addition to demand from retail voids, this analysis looks at demand generated from projected household growth in the trade area. Such growth is expected to create demand across spending categories based on those same estimated spending patterns. Finally, some measure of future retail demand is expected to result from anticipated replacement of obsolete existing retail space in the trade area. The rate at which this occurs is an estimate based on judgment factoring in the age and quality of existing retail space relative to competition in the region. Table 3 summarizes forecasted retail demand in the Longmont Planning Area over the next five years.

Table 3
Retail Demand
Longmont Planning Area

Category	Supply (sales)	Demand (retail)		Est. Sales / s.f.	Current Retail Void (s.f.)	Additional Demand from Household Growth (5-yr)	Additional Demand from Turnover / Obsolescence (5 yr)	
		potential	Unmet demand					
Auto Parts, Accessories, and Tire Stores	\$19,167,115	\$18,626,495	n/a	\$250		8,321	7,667	
Furniture & Home Furnishings Stores	\$27,591,112	\$24,425,472	n/a	\$225		12,124	12,263	
Electronics & Appliance Stores	\$25,320,624	\$29,174,547	\$3,853,923	\$225	17,129	14,481	11,254	
Bldg Mater., Garden Equip. & Supply	\$54,747,904	\$37,225,769	n/a	\$300		13,858	18,249	
Food & Beverage Stores								
Grocery Stores	\$162,181,963	\$142,565,181	n/a	\$375		42,457	43,249	
Specialty Food Stores	\$6,960,501	\$7,281,449	\$320,948	\$350	917	2,323	1,989	
Beer, Wine, and Liquor Stores	\$26,539,088	\$12,413,761	n/a	\$300		4,621	8,846	
Health & Personal Care Stores	\$64,528,532	\$28,615,027	n/a	\$275		11,621	23,465	
Clothing and Clothing Accessories Stores	\$25,409,626	\$34,001,800	\$8,592,174	\$200	42,961	18,986	12,705	
Sporting Goods, Hobby, Book, & Music	\$28,239,545	\$27,726,511	n/a	\$200		15,482	14,120	
General Merchandise Stores	\$241,742,878	\$121,688,738	n/a	\$325		41,815	74,382	
Miscellaneous Store Retailers	\$21,016,330	\$19,017,964	n/a	\$200		10,620	10,508	
Food Services & Drinking Places								
Full-Service Restaurants	\$109,593,055	\$73,450,769	n/a	\$225		36,457	48,708	
Limited-Service Eating Places	\$43,592,773	\$44,963,317	\$1,370,544	\$325	4,217	15,451	13,413	
Special Food Services	\$2,234,101	\$6,269,384	\$4,035,283	\$250	16,141	2,801	894	
Drinking Places (Alcoholic Beverages)	\$749,786	\$10,860,854	\$10,111,068	\$350	28,889	3,466	214	
						110,253	254,883	301,925

Source: U.S. Census, ESRI-BIS, DRCOG, Urban Land Institute, Leland Consulting Group
 Note: Assumes trade area household growth of 2.1% annually
 Note: Conservative assumption of 10% turnover from retail space obsolescence over 5 years

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Study Area Market Capture

As shown in Table 2, total trade area demand for retail space over the next five years is approximately 665,000 square feet (including current retail void, growth from new households and turnover/obsolescence). Assuming a capture rate of 10% of this trade area retail demand, the Study Area could support approximately 65,000 to 70,000 square feet in new retail space development. A 10% capture rate allows for competitive projects to get a fair share of the market as well. Retail market product types emerging within the trade area for which the Study Area could potentially capitalize on include: specialty and themed retail; experience and lifestyle retail; and neighborhood retail stores in the categories of: food service and drinking places, specialty food stores, clothing, and electronic and appliance stores.

Office Supply Characteristics

Summary office supply characteristics for the Boulder County Longmont Submarket are presented as follows (detailed tables are included in the previously completed *Market Profile*):

- The Boulder County office market is comprised of approximately 7.6 million square feet of space, of which 18.4 percent was vacant as of year-end 2004. In comparison, the Boulder County Longmont Submarket is comprised of approximately 725,000 square feet of space, or 10% of the Boulder market. Longmont's vacancy rate at year-end 2004 was 15.2 percent.
- New office construction in Boulder County totaled 75,000 square feet in 2004, 14,000 square feet of which occurred in the Boulder County Longmont Submarket.
- Office rents in Boulder County Longmont Submarket generally range from \$9.50 to \$14.50 per square foot, and are in the middle of the range for other Boulder County submarkets.
- The Boulder County office market as a whole experienced net positive absorption of approximately 148,000 square feet during 2004. The Boulder County Longmont Submarket accounted for one-third of this positive absorption (49,000 square feet).

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Estimating Office Demand– Methodology

To estimate demand for office real estate products, LCG uses a model based on projected employment growth in the trade area. Again, in this case, the primary trade area is considered to be the Longmont Planning Area. Employment base and growth projections are taken from forecasts developed by the Denver Regional Council of Governments for their Traffic Analysis Zones (geographical divisions typically somewhat smaller than census tracts). These employment figures are distributed across industry sectors based on ESRI-BIS models (using InfoUSA establishment-based estimates of jobs by industry). Job counts at the industry sector level are grown at the projected overall rate, multiplied by a factor for office use penetration, and finally multiplied by a square footage per employee assumption to arrive at new demand for office space over the five-year time period. As with retail, some level of demand is also expected to be generated by replacement of obsolete space over time. Table 4 summarizes forecasted office demand in the Longmont Planning Area over the next five years.

Table 4
Office Demand
Longmont Planning Area

Industry	Est. 2004 Jobs	Annual Job Growth Rate*	5-yr. Job Growth	Est. Pct. Office	5-yr. Office Demand from Job Growth (s.f.)	Est. Existing Office Supply	Est. Annual Turnover	Est. Office Demand From Turnover
Agriculture & Mining	510	2.1%	56	10%	1,173	10,710	2%	1,071
Construction	1,738	2.1%	190	10%	3,997	36,498	2%	3,650
Manufacturing	4,672	2.1%	512	10%	10,744	98,112	2%	9,811
Transportation	645	2.1%	71	20%	2,966	27,090	2%	2,709
Communication	38	2.1%	4	20%	175	1,596	2%	160
Electric, Gas, Water, Sanitary Services	23	2.1%	3	20%	106	966	2%	97
Wholesale Trade	925	2.1%	101	10%	2,127	19,425	2%	1,943
Retail Trade Summary	7,160	2.1%	784	10%	16,465	150,360	2%	15,036
Finance, Insurance, Real Estate	1,937	2.1%	212	90%	40,088	366,093	2%	36,609
Services (Non-Retail)								
Hotels & Lodging	223	2.1%	24	10%	513	4,683	2%	468
Automotive Services	381	2.1%	42	10%	876	8,001	2%	800
Entertainment & Recreation Services	736	2.1%	81	10%	1,692	15,456	2%	1,546
Health Services	2,916	2.1%	319	30%	20,117	183,708	2%	18,371
Legal Services	161	2.1%	18	90%	3,332	30,429	2%	3,043
Education Institutions & Libraries	1,973	2.1%	216	30%	13,611	124,299	2%	12,430
Other Services	3,350	2.1%	367	30%	23,111	211,050	2%	21,105
Government	1,121	2.1%	123	30%	7,733	70,623	2%	7,062
Other	64	2.1%	7	30%	442	4,032	2%	403
Totals	28,573		3,129		149,268	1,363,131		136,313

Source: ESRI-BIS, DRCOG, Leland Consulting Group

* Trade Area employment totals based on ESRI-BIS; growth rate based on DRCOG overall job growth rate forecast from 2005-15

Note: Assumes 210 s.f. of office space per office employee

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Study Area Market Capture

Given the character of the Study Area as a primarily commercial corridor, as well as the ample supply of land zoned for industrial in other areas of the City, it is unlikely that the development program would include an extensive amount of industrial space. Therefore, only a Study Area capture rate for office space was calculated. As shown in Table 3, total trade area demand for office space over the next five years is approximately 285,000 square feet. Assuming a capture rate of 10% of this trade area office demand (similar to retail), the Study Area could support approximately 30,000 square feet in new office space development. Opportunities for office products in the Study Area will likely be limited to service and professional office space, freestanding, and vertically integrated space within mixed-use buildings.

Residential Supply Characteristics

Summary housing supply characteristics for the Boulder County Longmont Submarket are presented as follows (detailed tables are included in the previously completed *Market Profile*):

- According to the Meyers Group, there were approximately 590 (net) new single family units sold in 2004 in the Longmont market area. Nearly one-third of these sales were townhome and condominium units.
- In 2004, average monthly sales rate for single family detached developments within the Longmont market area was 2.0 units. Comparatively, townhome and condominium projects experienced average monthly sales rates of 3.0 and 2.6, respectively. For area subdivisions, monthly absorption ranged from a low of 0.04 to a high of 4.93 with an overall average in 2004 of 2.1 units per month.
- Average housing sales prices among product types in the Longmont market area in 2004 were: \$372,000 for single family detached; \$200,000 for townhomes; and \$168,000 for condominiums. Among subdivisions within the market area during this same period, units of all types ranged from \$131,900 to \$759,000.
- At year-end 2004, the Longmont market had an inventory of approximately 1,000 units – 650 single family detached units and 350 townhome/condominium units. At current sales rates, this represents a 20- to 24- month supply of units.

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Estimating Residential Demand – Methodology

To develop reasonable forecasts of market demand for residential real estate products, LCG uses a model based on projections of household growth within a residential trade area. For Longmont, the primary trade area for this analysis is the City of Longmont itself. Because of its relative geographic isolation from nearby residential competition, it is reasonable to assume that a new project planned within Longmont would simply capture some portion of growth already anticipated for the city (a very large, master planned community would, on the other hand, be expected to compete for demand from a larger, regional trade area). To arrive at a reasonable growth rate, LCG typically looks at two sources of projections: local small-area forecasts (in this case, Denver Regional Council of Governments' forecasts for Traffic Analysis Zones approximately matching the Longmont Planning Area), and statistically trended projections from a Census-based national source (in this case, ESRI-BIS, a widely-used demographic data supplier). For Longmont, DRCOG projects household growth from 2005 to 2015 of 0.98 percent per year. ESRI-BIS, on the other hand, using recent historical trends, projects growth (from 2005 to 2010) of 2.1 percent. Following the rationale used in demographic forecasts developed in 2003 for the Longmont Area Comprehensive Plan (that Longmont should capture an increasing share of county-wide growth over time), LCG used the higher growth figure of 2.1 percent for our residential demand estimates. This growth figure lies between the aggressive and conservative forecasts from the Comprehensive Plan.

Once a base count of households is established and a reasonable growth rate is determined, residential demand is modeled as a function of household growth over some period (five years was used here as a reasonable time frame for small-to-medium scale developments occurring within the Longmont Planning Area). Household growth is apportioned across income strata (estimated by ESRI-BIS), which are then translated into housing price points (for both rental and for sale) using assumptions about long-term interest rates and affordability (approximately 7 percent APR and 30 percent of income, respectively). For an area such as Longmont that appears to be “gentrifying” over time, it is assumed that the income distribution of new households is somewhat higher across the board as compared to existing residents. A sliding scale of propensity to rent is applied across income groups, such that the total percent of renters is equal to the existing percent of renters, leaving total five-year demand for rental and ownership units across price

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points. Although a reasonable estimate of annual demand can be obtained by simply dividing these totals by five, it is more likely that annual demand will start lower and increase steadily over the time frame.

Table 5 summarizes forecasted residential demand in the Longmont Planning Area over the next five years.

Table 5
Residential Demand
Longmont Planning Area

					Households	2004	29,365		
						2009	32,644	Annual HH Growth Rate	2.1%
					Household Growth		3,279	Demolition Rate/yr.	0.2%
								Annual Pct. "2nd Home"	10.0%
					Total Unit Requirement		3,901	Pct. Renters	31%
					Trade Area Demand from New Households (5-yr)				
Annual Income Range	Approx. Rent Range	Approx. Home Price Range	Current HHs in Income Bracket (2004)	New HHs by Income Bracket	Total Units	Est. Pct. Renters	Total Rental Units	Total Ownership Units	
up to \$15K	up to \$375	up to \$50K	8%	0%	0	80%	0	0	
\$15-25K	\$375 - \$625	\$50 to \$85K	8%	8%	312	65%	203	109	
\$25-35K	\$625 - \$875	\$85 to \$120K	10%	11%	429	55%	236	193	
\$35-50K	\$875 - \$1,000	\$120 to \$175K	15%	16%	624	45%	281	343	
\$50-75K	\$1,000+	\$175 to \$250K	21%	22%	858	30%	257	601	
\$75-100K	\$1,000+	\$250 to \$350K	16%	18%	702	15%	105	597	
\$100-150K	\$1,000+	\$350 to \$500K	15%	17%	663	10%	66	597	
\$150K and up	\$1,000+	\$500K and up	7%	8%	312	5%	16	296	
Totals			100%	100%	3,901	30%	1,164	2,737	

Source: ESRI-BIS, NCTCOG, U.S. Census, and Leland Consulting Group

Note: Household growth rate is projected ESRI-BIS at 2.14%

This rate is higher than that projected by DRCOG (0.99%), and is between the conservative and aggressive forecasts used by the City of Longmont

Study Area Market Capture

As shown in Table 5, total trade area demand for residential development over the next five years is approximately 2,700 ownership units and 1,200 rental units. For ownership units, the Study Area will most likely compete for higher density products which fit better within a redeveloped "Main Street" environment (e.g., townhomes, rowhouses and condominiums). These products

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typically comprise 15% to 20% of ownership housing demand. For the Longmont Planning Area, this would equate to demand for approximately 400 to 500 units over five years. Assuming a capture rate of 20% of this trade area higher density housing demand, the Study Area could support 80 to 100 units in new housing development in the next five years. A higher capture rate of this denser housing was used to account for the Study Area's more urban environment relative to other areas of the City.

Assuming a similar 20% capture rate of trade area rental housing demand (similar to higher density ownership housing), the Study Area could support 200 to 250 units in new rental housing development in the next five years. Important to note, however, is the mixed-use context within which the residential projects may be incorporated. Experience has shown that residential absorption rates among units in mixed-use environments including downtowns, urban villages, town centers, transit-oriented developments, and the like, can exceed standard market performance by as much as 10 to 20%.

Planned/Proposed Developments

Planned and proposed developments in the Study Area which are likely to be completed within the next five years include:

- Lucky Star car wash
- Big 5 Sporting Goods
- Advance Auto Parts

Unfortunately, these new developments further the low-intensity, single-use character of the Study Area, contrary to the expressed vision for a higher-density, mixed-use environment.

Market Opportunity Summary

Table 5 summarizes market opportunities for specific development products within the Longmont Planning Area over the next 10 to 20 years.

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Table 6
Market Opportunity Summary
Longmont Study Area

Land Uses	Short-Term (1 to 5 Years)	Mid-Term (5 to 10 Years)	Long-Term (10+ Years)
Retail			
Specialty Retail		X	
Entertainment Retail	X		
Neighborhood-Serving Community/Regional	X		X
Office			
Class A High-Rise			X
Corporate Campus		X	
Class B Mid-Rise		X	
Local Service/Professional	X		
Housing			
Single Family Detached		X	
Rental Apartments	X		
Rowhouse/Townhouse	X		
Condominiums	X		
Live/Work Lofts	X		

Source: Leland Consulting Group.

Target Industry Analysis

An important component of the Midtown Redevelopment Plan is the identification of target industries and business organizations with a strong likelihood of locating in the market and the Study Area. The *Target Industry Analysis* provides direction for future marketing efforts and assists in defining supporting land uses and services within a planning area. By focusing land use programs to industries that will potentially seek relocation and expansion opportunities in the market, the City of Longmont will make the most efficient use of available resources and more effectively position itself for local investment.

To assist in identifying those industries and business groups which exhibit the highest potential for relocation and/or expansion in the city, this section of the report presents a preliminary target