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March 20, 2003

Mayor Hack
Vice Mayor Dunfield
Commissioner Henry
Commissioner Kennedy
Commissioner Rundle

Re: **Request to Rezone 6th and Wakarusa for Wal-Mart**

Commissioners:

The economic impact of the proposed Wal-Mart development is negative. It will add a large amount of commercial space to a market that already suffers from a large surplus of space. This surplus of space is blighting the existing commercial centers of Lawrence and is damaging the city's efforts to revitalize the downtown area. This development should not be approved.

Horizon 2020 calls for monitoring commercial growth.

Horizon 2020 calls for the city to monitor its commercial growth and let this information guide development decisions.

From *Horizon 2020*, Chapter 6: Commercial Land Use:

Policy 1.7: Develop a Method to Monitor Commercial Growth

Develop a technique to monitor gross leasable area of commercial developments within the community and formulate a method to evaluate the need to pursue or the capacity of the community to accommodate additional commercial development.

The city has not taken the steps necessary to carry out this policy. The failure to carry out this policy has resulted in the over-built retail market that we now have in Lawrence.

Reports comparing Trends in Retail Spending and Retail Space

Work was done and reports submitted to the Planning Commission during 1997, 1998 and 1999 detailing the pace of growth of retail spending and retail square footage. When the reports indicated that growth in retail space was commensurate with growth in spending, the report was received with great favor. When the reports found that growth in retail space was outpacing the growth in spending, objections were raised and the reporting process stopped by the Planning Commission in December 1999. The consequences of this decision are hurting the community.

Retail space has grown at 6 times the rate of retail spending.

In *Retail Market Study for Wal-Mart Stores, Inc., Lawrence, Kansas, July 2002*, prepared by Rich Caplan & Associates, Wal-Mart contends:

“Since 1990, retail sales tax collections in the City of Lawrence have grown at a faster rate than both city population and total retail square footage.” (Page 2)

The Caplan study does not correct retail spending for inflation. In Wal-Mart’s presentation in October, they admitted this mistake and agreed that corrections are needed. Using the Consumer Price Index for the Kansas City region to adjust retail spending levels, retail spending grew by only 27 percent from 1990 to 2001. It is much less than the 37 percent growth in the stock of space.

The problem has become worse during the last few years, the years during which the Planning Commission has chosen to ignore the mandate of the commercial space policy. Retail spending adjusted for inflation has been essentially flat from 1998 to 2001, rising only 1.7 percent after inflation, while the stock of retail space has been allowed to grow by 11.3 percent. Thus, the stock is growing 6 times faster than the spending needed to support it.

From 1998 through 2001, Lawrence witnessed the construction of 549,000 square feet of space of retail space. The spending grew sufficiently to support only 84,000 square feet, leaving a surplus of 465,000 square feet of space.

Please see the table for the details.

**Population, Retail Space, Retail Sales Taxes in Lawrence
1990 to 2001**

<i>Year</i>	<i>Population</i>	<i>Squre Feet Retail Space</i>	<i>Sales Taxes Collected</i>	<i>Consumer Price Index</i>	<i>Sales Tax Collections 2001 Dollars</i>
1990	65,608	3,548,000	6,087,000	126.0	8,318,900
1991				131.2	
1992	68,145	3,698,844	6,200,479	134.3	7,950,279
1993				138.1	
1994	71,721	4,163,389	7,806,641	141.3	9,513,826
1995				145.3	
1996	74,748	4,209,000	8,367,356	151.6	9,504,345
1997				155.8	
1998	79,190	4,875,000	9,674,389	157.8	10,557,223
1999	79,644	5,163,677	10,174,313	160.1	10,943,265
2000	80,098	5,375,530	10,348,071	166.6	10,695,905
2001		5,424,030	10,739,915	172.2	10,739,915

Growth from 1990 to 2001

29.1% Growth in sales taxes in 2001 dollars
 2.3% Annual growth rate in sales
 52.9% Growth in square feet of retail space
 3.9% Annual growth rate in retail space

Growth from 1998 to 2001

1.7% Growth in sales taxes in 2001 dollars
 0.6% Annual growth rate in sales
 11.3% Growth in square feet of retail space
 3.6% Annual growth rate in retail space

549,030 Square feet of space built 1998 to 2001
 84,362 Square feet of space supportable if based on growth in spending 1998 to 2001
 464,668 Surplus square feet of space built 1998 to 2001

Sources: Population, Retail space, Sales taxes from Caplan Study
 Consumer Price Index for Kansas City Region from U.S. Bureau of Labor Statistics

There is an existing surplus of space in the Lawrence retail market.

The flat growth in retail spending accompanied by excessive growth of new space has meant existing stores standing empty for long periods of time:

Examples:	Tanger Mall	14 vacant suites plus conversion to office,
	Riverfront Outlet Mall	Effectively abandoned for retail use,
	10 Marketplace	3 suites, anchor suite converted,
	The Malls	3 vacant suites despite new improvements,
	Southern Hills Mall	3 vacant suites plus conversion to office,
	Park Plaza Mall	2 vacant suites, and
	Payless Cashways site	vacant.

The surplus of retail space has impacts beyond the retail market.

Hurting the office market.

Excess retail space is hurting the office market by conversion to office space:

Examples:	Tanger Mall,
	Southern Hills Mall,
	Riverfront Mall, and
	10 Marketplace Mall.

If owners of retail space are actively converting their space into office use, this is a clear indication that too much retail space has been developed. These conversions hurt the capacity of office owners to lease their space, further harming the commercial markets of Lawrence.

Hurting the redevelopment of downtown Lawrence.

The redevelopment plans for downtown Lawrence are being hurt by this surplus. The city built an \$8 million parking garage to be paid, in part, by new tax revenues from development of the 900 block of New Hampshire. The developer cannot attract tenants to this redevelopment as the market is over-built. This means that the taxpayers must carry the cost of the debt on the parking garage. Adding another Wal-Mart store will only exacerbate this problem.

Conclusion

It should be the goal of the city to keep the growth of retail space in balance with the growth in retail spending. The retail market cannot absorb this new space, and the development proposal should be denied.

Sincerely,



Kirk McClure