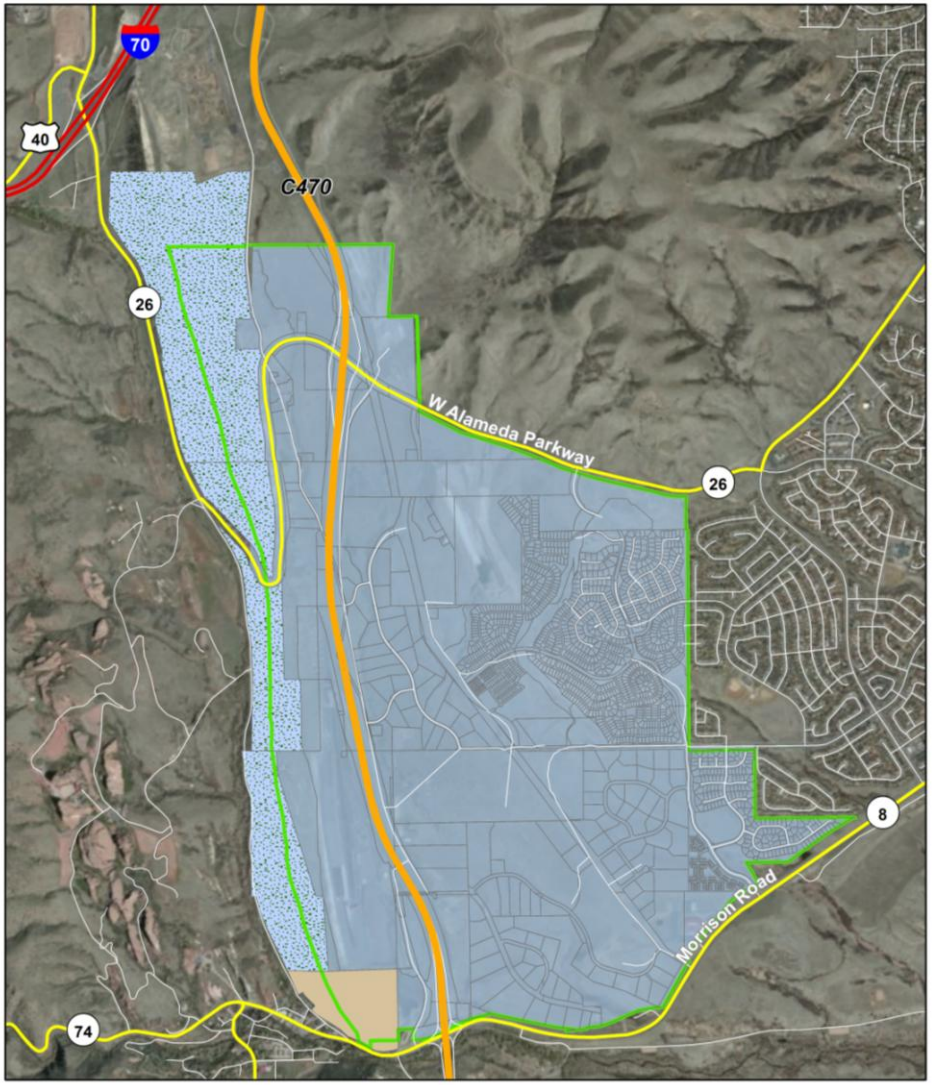
Rooney Valley

Executive Summary Report

Product of:

Request for Proposal (RFP) No. 3778
Rooney Valley Market Study



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Executive Summary

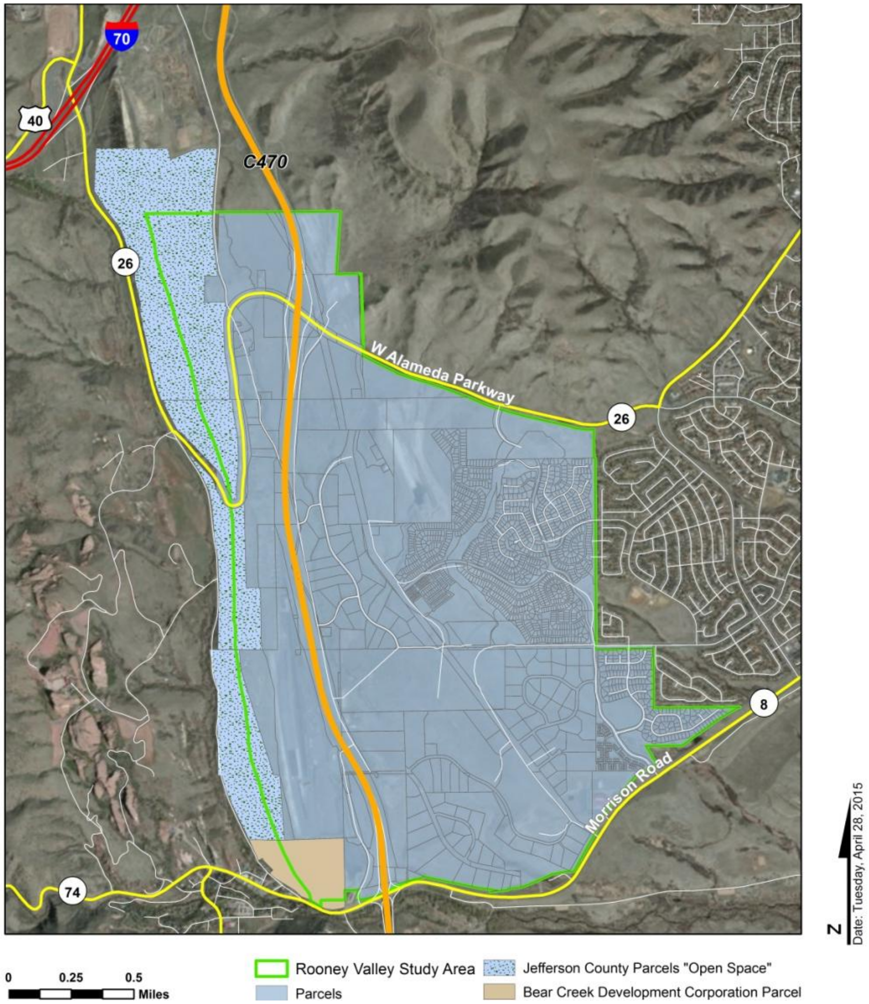
Ricker|Cunningham (RC) was retained by the City of Lakewood (the City) to understand prevailing and anticipated market conditions as they may impact investment in and around the Rooney Valley. For the purpose of this analysis, the Valley is comprised of two geographies – the **Area of Influence** (also referred to herein as the **Study Area, Area, Valley** or some combination thereof) and the **Rooney Valley Project Area** (also referred to herein as the **Project Area** or **Intergovernmental Area** (or **IGA Area**)) which is a subarea within the larger Study Area (See **Exhibit 1**). The purpose of this *Rooney Valley Market Context Analysis*, as identified in the City's request is, "… to create a document that will serve as a resource to inform planning and development decisions based on an understanding of market and area conditions, and emerging industry trends."

The **original development concept** for the Rooney Valley, expressed in the *Rooney Valley Joint Master Plan*, adopted in 2002, envisioned a "west-side business park," featuring non-residential land uses including commercial retail, office and industrial product types, supported by more modest levels of residential development. Supporting this concept was a network of roadways allowing for both local and regional movement and connectedness. Among the transportation improvements envisioned were three interchanges along the C-470 beltway, including one at Alameda Parkway, another at Morrison Road, and a third one Yale Avenue. To-date, only two of the three have been completed, Alameda Parkway and Morrison Road. The Yale Avenue interchange has not been constructed and no plans are in place for it to be constructed either near- or midterm, effectively rendering Rooney Road a service road to C-470 and lacking the capacity to support significant levels of non-residential development.

In addition to limited access points from the region-serving C-470 transportation corridor, other **constraints to development** in the Project Area include: deficiencies in infrastructure and services, primarily water and service; inventory of natural features which significantly reduce the Area's total developable acres; modest support for commercial development given limited number of rooftops; intentions of property owners and developers to deliver a fairly homogenous mix of product types; regulations which do not reflect current and anticipated market conditions, and protracted entitlement processes (which are now being amended); and, financial inequities resulting from disparities between project revenues and costs, the latter a by-product of extraordinary expenses associated with these constraints.

Analysis of demographic, economic and psychographic characteristics, along with supply conditions, suggests near-term demand, within three years, for a greater variety of **residential** ownership products than are currently being offered, specifically: executive housing to support the City's economic development

Exhibit 1: Area of Influence and Project Area Boundaries



initiatives related to primary job growth, attached townhomes and rowhouses (a group which includes paired units); and, low maintenance units including patio homes primarily targeted to the needs and desires of independent and active seniors and retirees and some young professionals. In addition to ownership products, there is demand for market rate rental products including employee housing with significant amenity packages including concierge services.

Prospects for non-residential development are a mid-term opportunity, three plus years, and assuming specific physical, financial, and regulatory barriers have been eliminated or diminished. For instance, while there is insufficient demand in the Valley today to attract the interest of a **grocery store** operator, there could be within the next three to four years if the Area's housing stock increased with product types favoring a resident profile with supportable spending habits. An operator with a product concept ranging in size from 75,000 to 125,000 square feet might consider investing sooner, within the next two to three years, if land uses that support both day- and nighttime spending were developed either in conjunction with or prior to its construction. Whereas most grocery stores prefer co-locating with other **retail** operators in either a neighborhood or community commercial center, and these types of projects prefer locations with maximum visibility and traffic counts, it is reasonable to assume that a grocery store-anchored development will likely occur at one of the two existing Highway C-470 interchanges (Alameda Parkway and Morrison Road).

General Merchandise, another retail category with near- to mid-term potential, has more support today than a grocery store. Sharing a community or neighborhood center's desire for maximum access and visibility, along with the limited inventory of sites with these attributes and the physical capacity to support them, and the fact that two of these parcels are located within the existing interchanges, it is highly likely that these commercial retail concepts will be evenly distributed between them. If development of a general merchandise store occurs near-term, it will likely be a function of market positioning and excess sales at existing stores within the Trade Area rather than the fact that the market has achieved supportable thresholds. Depending on which store type develops first, the other interchange will most likely attract the other, while both could support **several supporting smaller pad users**. The balance of commercial development in the Valley will inevitably include a variety of smaller scale commercial service operators and restaurants targeted to the needs and desires of Area residents, with limited patronage from consumers beyond the Valley.

Primary employment space (office and / or light industrial), while a dominant use in the original Master Plan, will likely be a secondary use for the reasons cited above related to more limited regional access, as well as industry trends which are generating demand for fewer square feet per employee, and different types of work environments which allow for more shared spaces. For this reason, development of traditional product types which support primary employment uses, including high-rise and suburban office buildings, along with heavy manufacturing buildings is not only expected to be constrained within the Valley, but the larger Denver Metro Area as a whole. The exception for the former office products, being those located along commuter or light rail transit lines. On the other hand, more flexible products that fall within the office and industrial categories such as **flex office, retrofitted industrial space, and modified warehouses** will see growth and select products able to overcome the access constraints present within the Valley. Developers that pursue these uses in the Study Area will do so with limited consideration of traditional market indicators such as low vacancy and high rent rates, but rather favorable psychographic characteristics that favor collaborative work spaces, environmentally-sensitive construction (assuming this will be a priority in the Valley), access to natural amenities, and tighter connections between work and home.

In addition to flexible office products capable of housing a variety of different businesses and industries, the number of **build-to-suit buildings and corporate campus expansions** are expected to increase over the near- and mid-term. Since the Great Recession that began in approximately 2008, owner-occupied construction projects have dominated markets throughout the country and particularly metropolitan areas like Denver considered attractive to a diverse work force. There are multiple reasons for this, the most dominant being the lack of financing for speculative development, and over-supply of space considered functionally obsolete.

Another product that has seen an increase in activity and which is expected to do so for the foreseeable future include large scale industrial facilities, primarily those which support the warehousing and distribution of goods once housed onsite and within commercial retail establishments. These are growing in large part in response to a growing on-line purchasing market and correspondingly shrinking bricks and mortar store format. While likely inappropriate for development within the Project Area given access constraints and the size of unconstrained parcels with the capacity to support this use, development of "**flexible employment uses**" typically characterized as a **light industrial or flex product** could be supportable if rental rates are high enough and the cost of development (land and building) mitigated to better balance risk and return expectations.

Given its location within the western portion of the Denver Metro Area, immediate access to Interstate 70 and many of the state's internationally-recognized recreational offerings, natural setting with views of the Hogback and trail connections to permanent open spaces and regional parks, and proximity to several area employment centers, as well as air and rail transportation services, the **Rooney Valley presents an unprecedented opportunity for high-quality development**. Challenges that will need to be overcome include a variety of constraints, physical and other, that collectively create an environment with a comparatively high cost of construction. In addition, the Valley has many owners, both public and private, therefore, in addition to resolving or mitigating existing obstacles or barriers to investment, property owner and developer interests will need to be brought into alignment. With these considerations and market opportunities identified in the full report, the Rooney Valley will most likely improve with a **diversity of uses both residential and non-residential**, at a scale complementary to its natural surroundings and existing development. Several **high quality neighborhoods** with lifestyle-serving amenity packages will dominate, with **supporting smaller scale commercial retail product offerings**, primarily locally-serving. Additional, secondary uses will include range of **employment spaces** relevant and reflective of current industry trends. Paramount to this concept will be the **emphasis on quality over quantity** (as reflected in design, materials and diversity) and ultimately value. Recognizing inequities in project revenues and expenses due to the comparatively high cost of development in the Valley overall, public participation in some form will be inevitable. While potentially different from project to project within the Valley, **public support** could range from favorable policies and processes to direct financial assistance, and ideally include creation and maintenance of quality standards designed to ensure long-term value.