

Downtown Redevelopment Update Analysis for the City of Mound, Minnesota



Prepared for: City of Mound, Minnesota

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Presentation

1. Purpose & Scope of Study
2. Market Area Definitions
3. Key Demographic Trends
4. Retail Expenditure Trends
5. Commute Shed
6. Housing Market Analysis
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9. Conclusions & Recommendations



Purpose & Scope of Study

- Maxfield Research Inc. was engaged by the City of Mound to conduct an update analysis of the development potential for the Downtown area. The last analysis was completed in January 2004, prior to the Recession.
- The scope of this study includes:
 - Demographic Analysis
 - Analysis of Retail Expenditures and Retail Gaps Assessment
 - Housing Market Analysis
 - Commercial Market Analysis
 - Lodging Market Analysis
 - Demand calculations
- Recommendations are provided regarding residential and commercial development, amount, types and timing up to 2020



Strengths/Weaknesses of the Downtown

- **Strengths**

- Significant Downtown infrastructure
- Access to the Lost Lake Channel and Lake Minnetonka
- Access to Lake Langdon
- Access to the Dakota Trail
- Adjacent Residential Base
- Intersection of Commerce Blvd./Hwy. 15 – 100% corner
- Community-Based Events

- **Weaknesses**

- Distance from major thoroughfares (high speed highways)
- Limited larger “supporting retail”
- Competition from other nearby retail developments
- Most residents commute to work outside the City



Mound Downtown District

Mound-Downtown-District¶

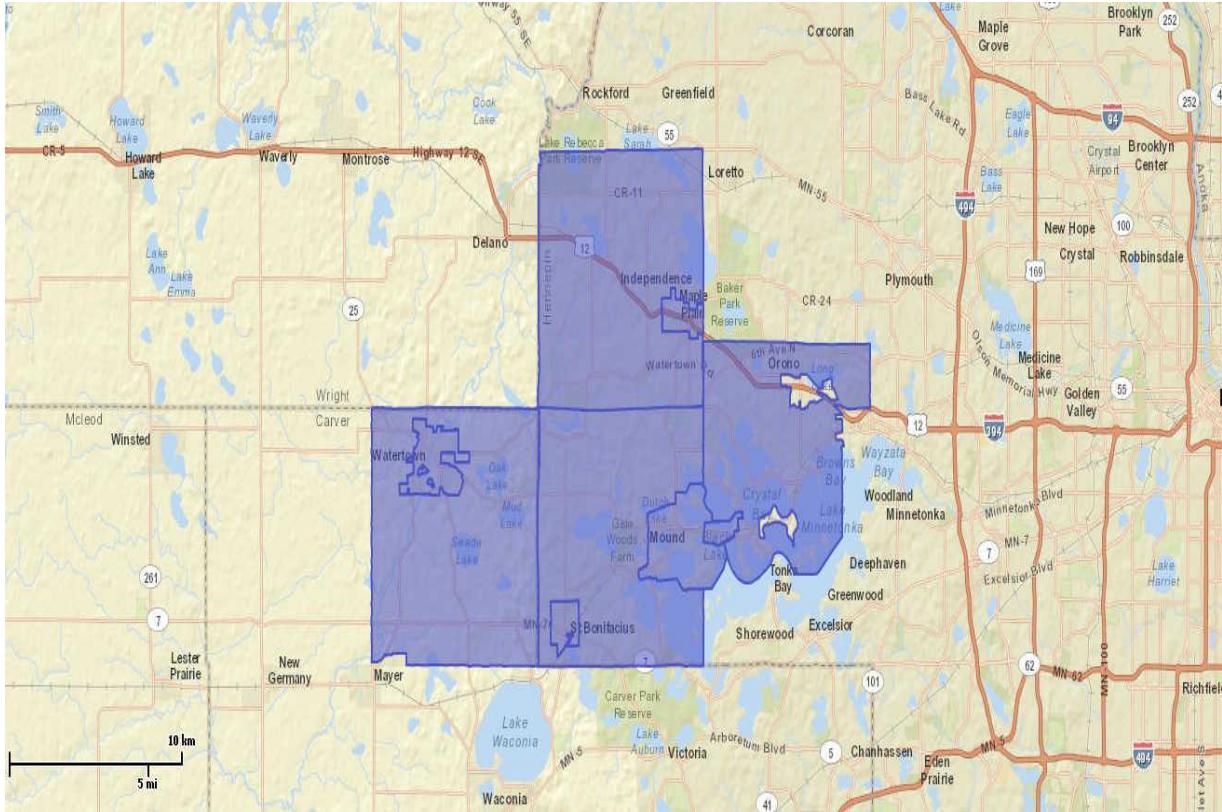


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Retail/Office Market Area



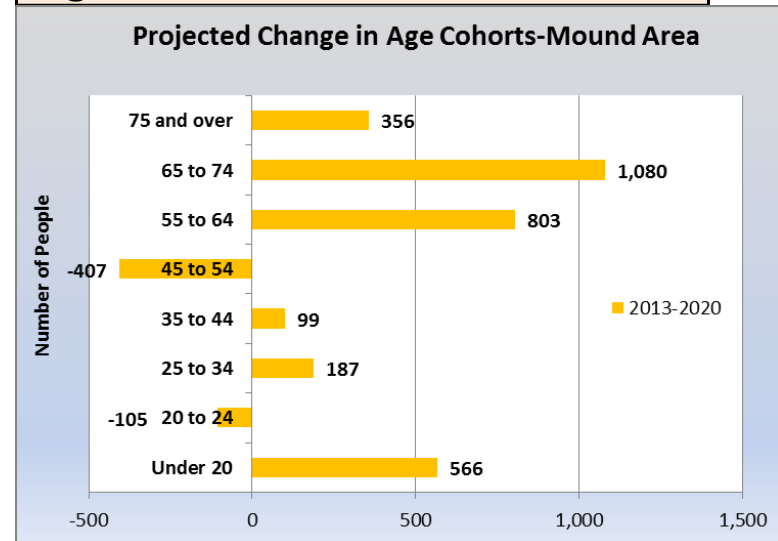
- Different for Housing and Commercial Analyses
- Retail/Commercial Market Area defined as:
 - City of Mound
 - Surrounding communities of Spring Park, Independence, Maple Plain, Minnetrista, Orono, St. Bonifacius, Watertown
- Primary draw for neighborhood-oriented goods and services; additional retail traffic may be attracted by specific uses



Key Demographic Trends

- Modest population and household growth is projected in Mound primarily because of limited land availability; new development will occur due to infill and redevelopment
- Household sizes are expected to decrease over the decade... primarily because of an aging population; this will be tempered slightly in Mound because of the strong draw of the school district
- Highest growth expected among older adults (55+) and also those under 20
- Near-term housing demand driven by:
 - baby boomers (staying in place, rightsizing to alternative products)
 - Middle age households with children moving into the community

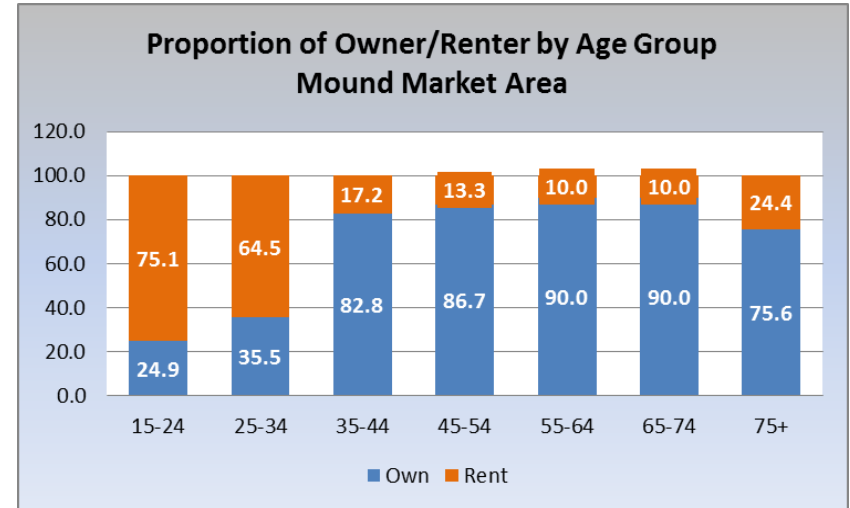
City of Mound		
Year	Population	Households
2000	9,435	3,982
2010	9,052	3,974
2013	9,230	4,052
2020	9,400	4,235
Growth		
Chg. 00-10	-393	8
Chg. 10-20	348	261





Key Demographic Trends

- Median household income in the Mound Area is \$66,617 compared to \$61,175 for the Twin Cities Metro
- Household incomes tend to peak from the late 40s through late 50s... generally the target market for move-up housing
- The Mound Market Area had a high homeownership rate in 2010 as compared to the Twin Cities Metro Region (78% in Mound vs. 70% in the Twin Cities Metro)
- Homeownership rates dropped most for households age 35 to 44 and 45 to 54, each by about five percentage points

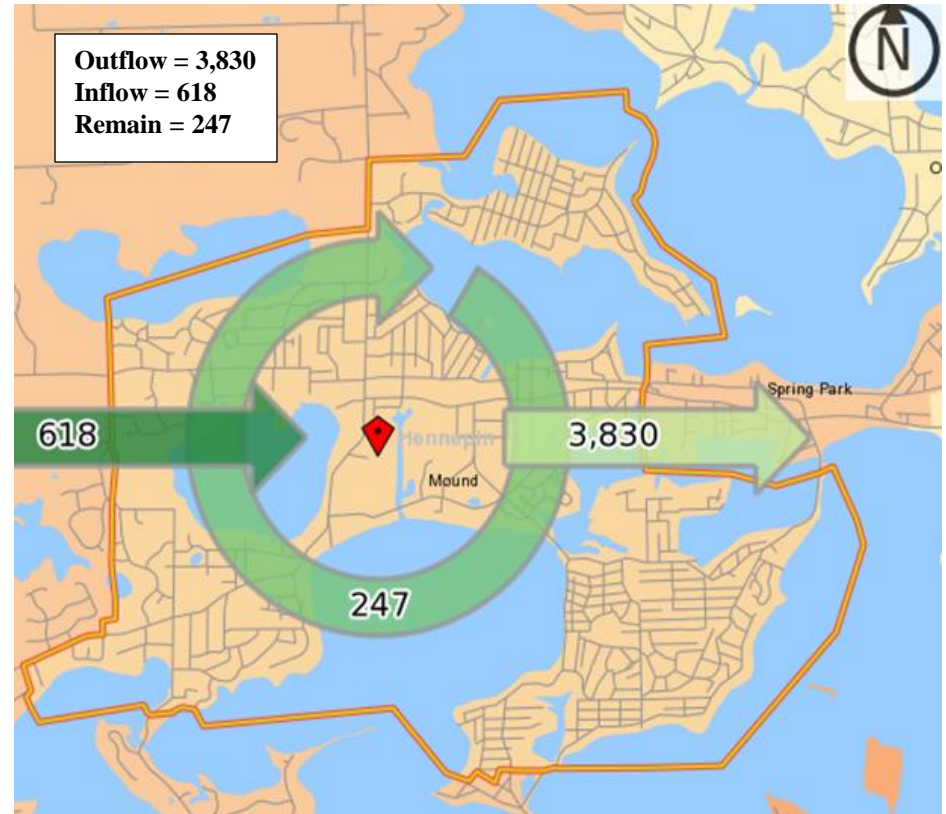




Commute Shed

Mound is an “exporter” of workers...

- More than 3,800 workers leave Mound for work while 618 enter the community. A net loss of +3,212 workers. Total of 247 work in Mound and live in Mound.
- Workers commute to Minneapolis, Minnetonka, Plymouth, Eden Prairie, Bloomington, St. Louis Park, St. Paul, Edina and Wayzata in that order
- This creates a limited base of people to support daytime traffic.





Key Demographic Trends

Shifting household types will impact demand for housing

- Married couples (with and without children) decreased in Mound, but increased in the remainder of the Market Area
- Other family households (primarily single heads of households) experienced a significant increase (+23.3%)
- Non-family households also increased
 - people living alone (+14.0%)
 - roommate households (unrelated individuals living together) (+7.7%)
- Household types are shifting creating demand for different housing product types

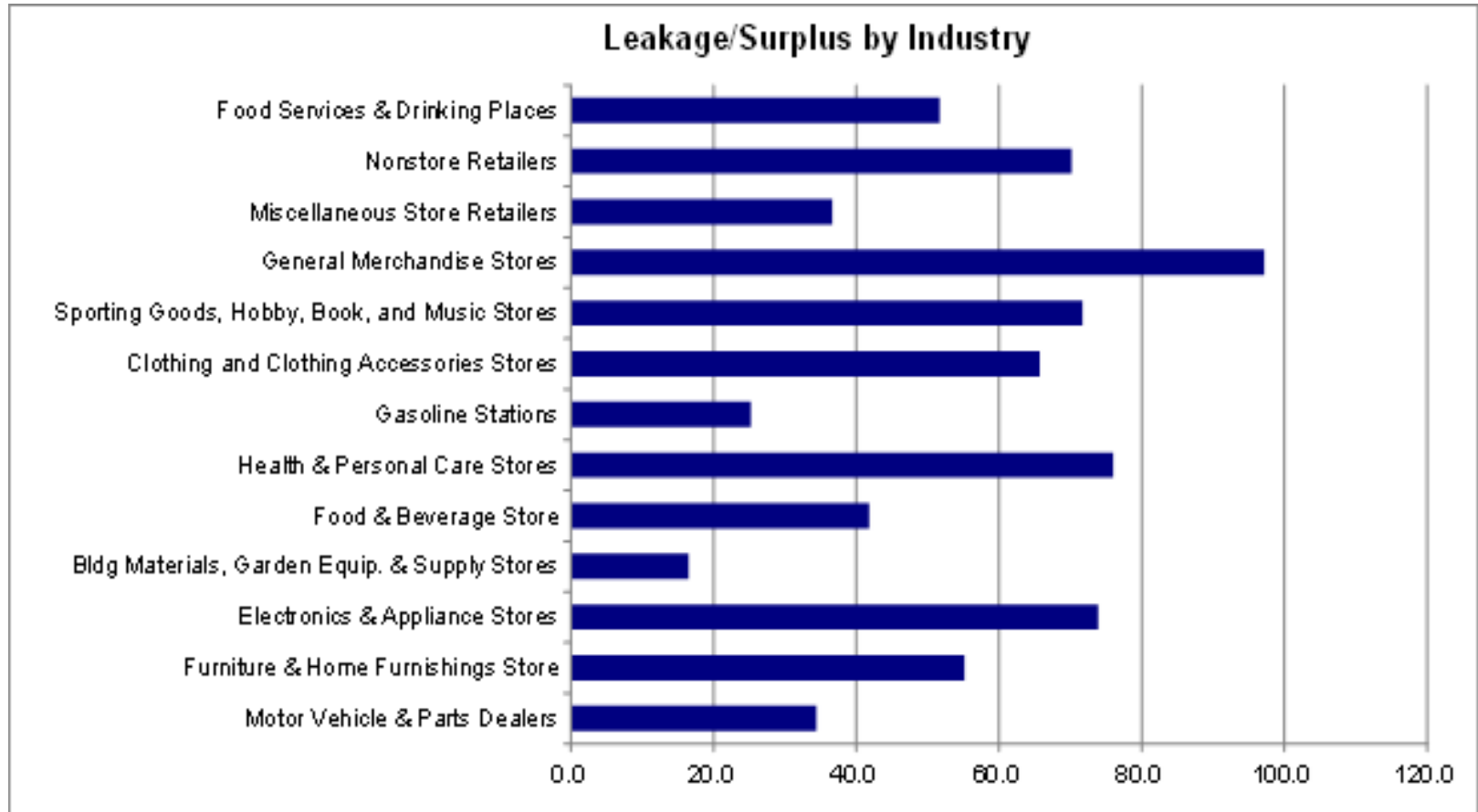


Retail Expenditures/Retail Gaps

- **Households in the Mound area spend more than the average US household in nearly every retail category**
- Categories where expenditures far exceed the US Average were:
 - Other Apparel and Services (195)
 - Floor Coverings (180)
 - Entertainment Fees/Recreation (171)
 - Pets (175)
 - Books/Magazines/Newspapers (158)
 - Toys and Games (147)
 - Eyeglasses and Contact Lenses (154)
 - Home Computer Items (154)
- Retail Gaps Analysis identified leakage in nearly every category except Lawn and Garden Equipment and Supplies
- Highest gaps were found among:
 - General Merchandise (97.2)
 - Shoes (90.0)
 - Books, Periodicals (79.5)
 - Health and Personal Care Stores (76.0)
 - Gift Stores (70.5)
 - Sporting Goods (69.7)
 - Limited Service Eating Places (65.2)



Leakage Trends by Industry





Housing Market Analysis

Rental Housing Market

Average rents in the Mound Area primarily reflect properties that are older in age with most having been built prior to the 1980s

Studio	\$450
1BR	\$736
1B+Den	\$860
2BR	\$893
3BR	\$1,276

Survey of Rental Properties included 1,515 units with an overall vacancy rate of 2.1%.

Highest rents are found at The Mist in Spring Park (four units vacant at survey)

1BR	\$1,300 to \$1,500
1BR+	\$1,500 to \$1,800
2BR	\$1,800 to \$3,500
2BR+	\$2,300 to \$4,000



Housing Market Analysis

Average sales price of single-family homes rose in 2013 after several years of decline.

Average single-family home price (lakefront) in Mound = \$482,325

Average single-family home price (lakefront) in Market Area = \$740,903

Average year built (lakefront) in Mound – 1975

Average year built (lakefront) in Market Area – 1978

Average single-family home price (non-lakefront) in Mound = \$312,605

Average single-family home price (non-lakefront) in Market Area = \$484,526

Housing in Mound is affordable compared to other Lake Minnetonka communities however, for owned multifamily, the difference is largely one of age, not location

Average multifamily home price (lakefront) in Mound = \$219,622 (1979)

Average multifamily home price (lakefront) in Market Area = \$343,605 (1986)

Average multifamily home price (non-lakefront) in Mound = \$139,859 (2002)

Average multifamily home price (non-lakefront) in Market Area - \$282,855 (1998)



Housing Market Analysis

- Senior Housing

- Area senior housing includes primarily service-enriched housing (with services).
- Senior housing is located in Orono, Spring Park and Watertown.
- The largest campus is located in Spring Park (Minnetonka Shores) and is operated by Presbyterian Homes.
- Active adult senior housing is located in Orono
- Vacancies in senior housing are low and indicate some pent-up demand



Retail Market Analysis

The retail market is recovering...

- Rents range from a low of \$8.00 per square foot for older space in Mound to a high of about \$23.00 per square foot for newer space.
- Vacancies are highest in older space
- There was approximately 15,000 square feet of space that was vacant in Mound as of June 2013
- The fitness center is relocating to one of the end caps in Commerce Center
- A new bistro-style restaurant is under construction and will be located along the Dakota Trail.
- Except for the new restaurant, retail development in Mound has generally been characterized by businesses relocating to new space and/or expanding.



Office Market Analysis

Demand for office space remains shaky

- Growth in office jobs is expected to remain at about the same proportion over the next 20 years, 16%.
- The number of office jobs will grow as the total base of jobs grows. From 2010 to 2020, there is a projected increase of 218 jobs that would likely have a need for office space.
- Most businesses (173) have 1 to 4 employees.

TABLE 33
OFFICE JOB GROWTH TRENDS AND PROJECTIONS
MOUND OFFICE MARKET AREA
2000 TO 2020

	Metro Council		Projection		Change			
	2000	2010	2020	2030	2000 to 2010		2010 to 2020	
					No.	Pct.	No.	Pct.
Total Jobs	7,614	7,966	9,240	10,460	352	4.6%	1,274	16.0%
Office Jobs*	1,323	1,282	1,500	1,675	-41	-3.1%	218	17.0%
% office jobs	17%	16%	16%	16%	-	-	-	-

*Office jobs include jobs primarily in the Finance, Insurance, Real Estate and Government Sectors and a portion of the Services Sector.

Sources: Metropolitan Council; MN DEED

Businesses that Primarily Occupy Office Space
by Size of Business (Employees)
Mound and Surrounding Area - 2011





Office Space Analysis

Survey included eight office properties with a total of about 123,600 square feet of space and located in Mound, Wayzata and Shorewood.

Approximately 36,000 square feet is vacant among all of the buildings and 13,600 square feet in Mound.

A couple of buildings were completely vacant.

Lease rates range from a low of \$6.00 net to a high of \$26.00 per square foot net, with the average at about \$15.00 per square foot net.





Lodging Analysis

TABLE 37
PROPERTIES SURVEYED IN HOTEL TREND REPORT
MOUND MARKET AREA
May 2013

Chanhassen	Eden Prairie
Holiday Inn Express & Suites (2004/89)	Extended Stay America (1998/104)
County Inn & Suites (1995/122)	Hilton Garden Inn (2000/97)
Americinn (1998/77)	TownePlace Suites (1998/103)
	Springhill Suites (2001/119)
	Baymont Inn (1987/121)
	Fairfield Inn & Suites (1997/90)
	Hyatt Place (1997/126)
Chaska	Minnetonka
Best Western Plus (1997/81)	Hampton Inn (1990/127)
Super 8 Chaska (1990/29)	Holiday Inn Express & Suites (1997/93)
Waconia	Long Lake
Americinn Waconia (2007/61)	AmericInn (2001/41)
Sources: Smith Travel Research, Inc.; Maxfield Research Inc.	



Lodging Analysis

TABLE 39
HISTORICAL ROOM SUPPLY AND DEMAND TRENDS
MOUND AREA HOTELS - LIMITED SERVICE AND EXTENDED STAY
2007 through 2013 (April)

	2007		2008		2009		2010		2011		2012		2013*	
	No.	Occup.	No.	Occup.	No.	Occup.	No.	Occup.	No.	Occup.	No.	Occup.	No.	Occup.
Annual Totals														
Room Demand	405,087		398,182		364,864		390,664		408,877		414,730		119,242	
Room Supply	635,536	63.7%	654,080	60.9%	654,080	55.8%	654,080	59.7%	653,712	62.5%	653,350	63.5%	214,800	55.5%
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Annual Change														
Room Demand	N/A	N/A	-6,905	-1.7%	-33,318	-8.4%	25,800	7.1%	18,213	4.7%	5,853	1.4%	N/A	N/A
Room Supply	N/A	N/A	18,544	2.9%	0	0.0%	0	0.0%	-368	-0.1%	-362	-0.1%	N/A	N/A

* - Partial Year; January through April

Sources: Smith Travel Research, Inc.; Maxfield Research Inc.



Multifamily Housing Demand

- **Rental**

- Market Rate – 80 to 90 units (100% of median or above)
- Workforce – 54 to 60 units (50% to 60% of median)

- **For-Sale**

- Market Rate – 63 to 72 units (100% of median or above)
- Workforce – 16 to 18 units (80% of median)

- **Senior**

- Market Rate Independent-62 to 75 units
- Either rental or for-sale (cooperative)

Note: Demand is for the City of Mound and reflects demand through 2020



Retail Demand

Neighborhood-Oriented Demand

2013 = 5,030 to 6,300 square feet

2020 = 15,500 to 19,500 square feet

Specialty Retail Demand

2013 = 12,100 square feet

2020 = 15,040 square feet

Note: Demand is for the City of Mound



Office Demand

Demand for Office Space

2010-2020

5,886 to 7,848 square feet

Note: Demand is for the City of Mound



Attracting Business to Mound

- Redevelopment of Commerce Place Shopping Center to complete the 100% Corner
- Consider additional multifamily development in the Mound Harbor Renaissance District
- Place targeted destination uses along Auditor's Road, maintaining view sheds as much as possible
- Consider combining public and private uses together to support a key signature redevelopment project
- Increased awareness of Mound development opportunities through the City website
- Assist the Economic Development Committee in targeting local and regional businesses for expansion into Mound; identify best "fit" with Mound needs.
- Avoid duplicating existing uses with more of the same; new businesses should provide or target needs not currently being served by existing businesses.



Conclusions & Recommendations

Challenges and Opportunities...

- Redevelopment of Commerce Center is not likely to be easy
 - Will finish the redevelopment of all four corners of Mound's key intersection
- Job growth/employment
 - Mound is not expected to significantly increase its employment base which will limit the number of restaurants it can support
 - Balboa Business Center has a significant amount of space; target small light industrial businesses to locate in the center
- Consider enhancement of existing older properties
 - Building new is generally more expensive; consider how to create unique spaces with existing buildings that will create new appeal
- Additional multifamily housing for sale and rental
 - Will broaden the housing base in Mound
 - Creates new options for households to choose Mound as their home



Questions & Contact Information

Questions...

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