

Existing Conditions: Economic Market Assessment

Introduction

The US 24/40 Corridor Study examined existing conditions as they related to economic and commercial market assessments, existing land use, and existing traffic conditions. The traffic analysis included an inventory of existing access to the highway and traffic circulation. To formulate recommendations for land use development, traffic controls, access management, and related public policies, this study assessed economic market trends, both near-term and long-term.

Economic Conditions and Market Assessment

Growth over the past decade in the corridor has been strong. The number of business establishments, employment opportunities, and the size of the local civilian labor force outpaced both Leavenworth County and the Kansas City metropolitan area as a whole.

Existing Economic Conditions

Total Business Establishments

Business growth in the corridor from 1994 to 2004 is summarized in **Table 3-1**. During that period the number of business establishments grew rapidly as evidenced by:

- Leavenworth County doubled the State of Kansas in the rate of growth for new business establishments.
- The number of businesses in the corridor grew at more than double the rate of Leavenworth County – 48% in the area compared to 17% for the county.
- The percentage of the county's business establishments among the corridor's communities has increased from 19% to 24%.
- The Basehor area nearly doubled the number of business establishments while Tonganoxie grew by over 21%.

Table 3-1: Total Business Establishments 1994 – 2004

	1994	1998	2004	1994 – 2004
Basehor (66007; northern portion of 66012)	76	116	143	88%
Tonganoxie (66086)	115	124	140	22%
24 / 40 Corridor Planning Area Total	191	240	283	48%
Leavenworth County	1,001	1,089	1,175	17%
US 24 / 40 Planning Area Share of Leavenworth County	19%	22%	24%	N / A
Kansas	69,802	74,019	75,827	8%

Source: U.S Bureau of Economic Analysis.

Local Civilian Employment

The number of local jobs in the corridor grew more rapidly than the number of businesses from 1994-2004 as demonstrated by **Table 3-2**.

- Employment opportunities in Leavenworth County grew at double the rate of growth of the Kansas City metropolitan area (MSA).
- The number of employment opportunities in the corridor grew at more than three times the rate of Leavenworth County – 75% in the corridor compared to 23% for the County.
- The percentage of Leavenworth County's total employment opportunities found among the corridor's communities increased from 11% to 15%.
- The Basehor area has five times the county's employment growth while Tonganoxie grew by 43% during the same period, almost double the employment growth for Leavenworth County as a whole.

Table 3-2: Local Civilian Employment 1994 – 2004

	1994	1998	2004	1994 – 2004
Basehor (66007; northern portion of 66012)	602	791	1,295	115%
Tonganoxie (66086)	751	856	1,071	43%
24 / 40 Corridor Planning Area Total	1,353	1,647	2,366	75%
Leavenworth County	12,411	14,079	15,210	22%
24 / 40 Planning Area Share of Leavenworth County	11%	12%	15%	N / A
Kansas City MSA	877,600	966,500	1,011,040	15%

Source: U.S. Bureau of Economic Analysis

South Leavenworth County Labor Force Characteristics

Growth of labor force during the 1990's as reported by the US Census is summarized in **Table 3-3**. Noteworthy highlights include:

- The South Leavenworth County labor force grew by 25.6% during the 1990's versus 13.7% in Leavenworth County as a whole and 23.2% in the Kansas City metropolitan area.
- Area residents are most commonly employed in the growing services sector.
- The growth in the percentage of residents in the services sector exceeded regional growth rates.
- The percentage of residents employed in manufacturing and the retail sector declined in comparison to the metropolitan area.

Table 3-3: South Leavenworth County Labor Force Characteristics

Employment Sector	1990	2000	So. LV County Change	1990 – 2000 KC Metro Area Change
Industrial	1,556	1,924	23.7%	26.3%
Manufacturing	133	118	(11.3%)	(7.6%)
Services	958	1,325	38.3%	29.7%
Retail	726	869	19.7%	21.9%
TOTAL South County	3,373	4,236	25.6%	---
Leavenworth County	28,960	32,941	13.7%	---
Total KC Metro Area	946,780	1,166,799	---	23.2%

Source: U.S. Census

Table 3-4 summarizes 2006 data from the Kansas Department of Revenue (KDOR) which identified a total of 307 business establishments in Basehor and Tonganoxie that report collecting sales tax that year. These figures, along with actual square footage of buildings by use category described later in this study, is the most accurate tally of local business activity. These figures do include home based businesses. These total 136 retail business establishments categorized in the retail, personal services and food and beverage categories according to the Department of Revenue. Currently, approximately 65 percent of these businesses are in Tonganoxie and 35 percent in Basehor.

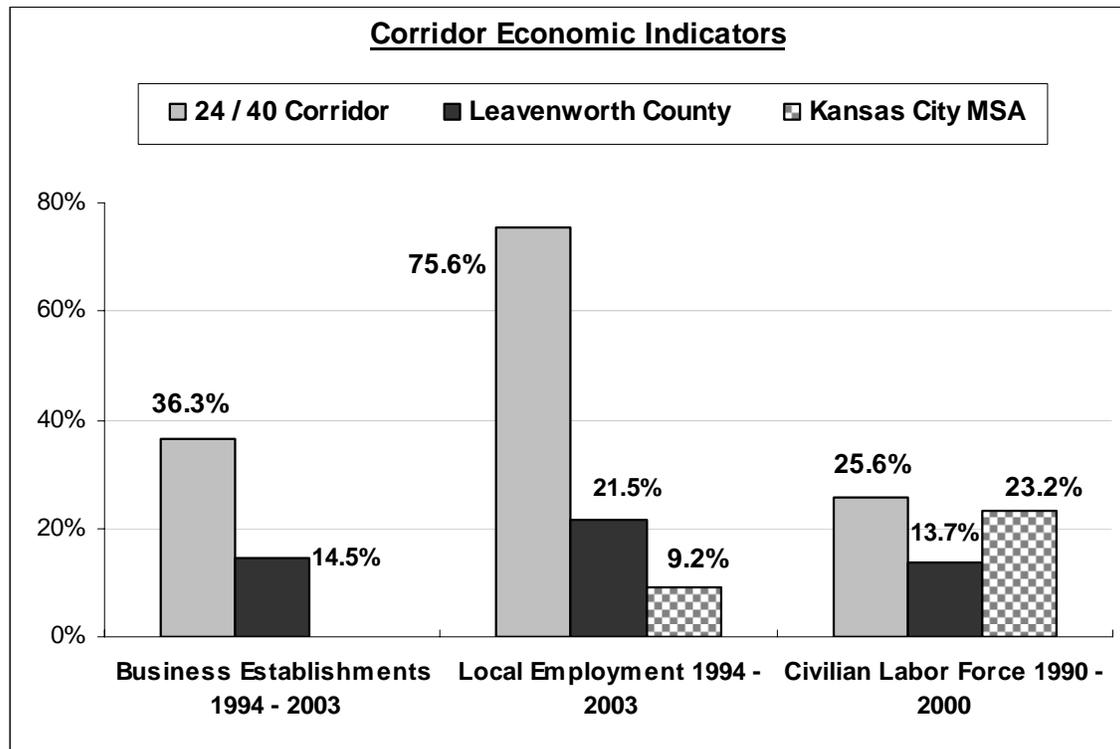
Table 3-4: US 24/40 Corridor Cities Business Establishments 2006

Business Category	Basehor	Tonganoxie	Total
Retail Trade	16	63	79
Personal Services	17	17	34
Food and Beverage Services	6	17	23
Manufacturing	4	8	12
All Others (includes real estate, banks, light industry, wholesale trade and others)	64	94	159
TOTAL ESTABLISHMENTS	108	199	307

Source: Kansas Department of Revenue 2006

Figure 3-1 summarizes the economic indicators and identifies how the corridor has been outpacing Leavenworth County as a whole and the Kansas City metropolitan area over the past decade. Nevertheless, there is a need to diversify the corridor's economy if the area is to more fully realize its potential.

Figure 3-1: US 24/40 Corridor Economic Indicators



Market Assessment

The corridor's position in the regional retail, office and industrial markets was assessed to ascertain the appropriate amount of new development and related traffic impacts to plan for through 2030. The analysis evaluated the most relevant local, state and federal published data.

In addition to the prevailing economic conditions, a wide range of demographic and economic factors will influence corridor demand and absorption of new commercial and industrial development including:

- Retail Pull Factor and Household Income
- Educational Attainment of the Labor Force
- Building Leasing Rates
- Local Property Tax Rates
- Competition with Other Highway Corridors

Therefore, the corridor and/or the cities of Basehor and Tonganoxie were compared to other cities and corridors in the Kansas City metropolitan area to help assess the corridor's competitive position in the region.

Retail Pull Factor and Household Income

Household income influences the amount spent in a community for retail purposes. A city's retail "pull factor" indicates how a city retail market is performing. A "pull factor" is a measure of the market share captured in a community by all of the retail businesses and is used to

compare the magnitude of sales activity to the level of business activity on a per capita basis. A pull factor above 1.00 indicates that the community is attracting business while one that is below 1.00 indicates that the community is losing business to other places.

Table 3-5 compares Basehor and Tonganoxie's retail pull factors to seven nearby competing cities, as well as to Leavenworth County and adjoining counties. All of the cities except Bonner Springs and all of the counties except Johnson County experience some level of sales leakage.

- Basehor is in the lower half of the peer cities while Tonganoxie ranks third highest among the nine cities.
- Basehor's median household income is highest among the nine cities while Tonganoxie's median household income ranked fifth.

Table 3-5: Retail Pull Factor and Median Household Income Comparison

City; County	Pull Factor FY 2004	Median Household Income 2000
Edwardsville	0.25	\$42,875
Eudora	0.33	\$41,713
De Soto	0.39	\$46,426
Basehor	0.46	\$52,831
Gardner	0.74	\$50,807
Leavenworth (city)	0.84	\$40,681
Tonganoxie	0.91	\$44,278
Spring Hill	0.95	\$45,052
Bonner Springs	1.79	\$43,234
Leavenworth County	0.60	\$48,114
Wyandotte County	0.83	\$33,748
Douglas County	0.96	\$53,991
Johnson County	1.45	\$72,987

Source: Kansas State Research and Extension Services; U.S. Census.

Although the corridor can realize secondary benefits from its proximity to the Village West area around the Kansas Speedway in western Wyandotte County, the corridor will be challenged to compete with that commercial area to the east and the Lawrence area to the west for major retail development. Nevertheless, as evidenced by Gardner and Spring Hill's comparative pull factor in Johnson County, both Basehor and Tonganoxie have the opportunity to grow their pull factor by as much as 10 percent to 1.00 for Tonganoxie and up to a pull factor of approximately 0.55 for Basehor. This is especially achievable for Tonganoxie because of the future Kansas Turnpike Interchange at County Rt. 1 that will serve Tonganoxie and Leavenworth County. These potential retail growth levels are factored into the retail demand projections presented later in this study.

Education Attainment of the Labor Force

An important characteristic considered by companies is an evaluation of the educational level of the local population. The percentage of high school and college graduates in a community

influences the type and the amount of new business in a developing area, such as the US 24/40 Corridor. The level of education among residents reflects the skills of the local work force and determining the type of new businesses that may be attracted to the corridor.

The commonly considered component used to measure educational levels is the percentage of the population that is high school and college graduates, which is summarized in **Table 3-6**. Based on the 2000 U.S. Census, the corridor's two cities high school graduate rates exceed the average in Leavenworth and Wyandotte Counties. However, the percentage of college graduates of the two cities is lower than the percentages of nearby Johnson and Douglas Counties, while higher than Wyandotte County.

Table 3-6: Education Attainment 2000

City; County	High School Graduates % of Population	College Graduates % of Population
24/40 Corridor:		
Basehor	90.7%	14.5%
Tonganoxie	88.6%	16.0%
Leavenworth County	86.5%	23.1%
Douglas County	92.4%	42.7%
Johnson County	94.9%	47.4%
Wyandotte County	74.0%	12.0%

Source: 2000 U.S. Census

Building Leasing Rates

Located between two larger cities, Lawrence and Kansas City, the US 24/40 Corridor communities will compete with neighboring communities that have existing buildings, business parks with existing infrastructure and aggressive business recruitment efforts. Both Basehor and Tonganoxie have active marketing and professional recruitment efforts through the Leavenworth County Development Corporation and area commercial realtors. Both cities contain large vacant parcels of land suitable for new commercial development.

Table 3-7: Industrial Building Lease Rate Comparisons July 2006

Location	Range of Asking Rate Per Square Foot	Median Asking Rate Per Square Foot
24/40 Corridor:		
Basehor	\$6.75 - \$7.25	\$7.00
Tonganoxie	\$4.00 - \$6.00	\$5.00
Wyandotte County	\$2.85 - \$12.50	\$6.61
Johnson County	\$3.25 - \$12.50	\$8.32
Douglas County	\$1.25 - \$12.00	\$5.00

Source: Kansas City Area Development Council; Block & Company, Inc.; Grubb & Ellis.

Table 3-7 provides a summary of vacant commercial/manufacturing buildings offered for lease in July 2006 and indicates the median asking price per square foot was lower in the corridor cities than in nearby Wyandotte and Johnson Counties. As a result, existing buildings in the corridor offer a price competitive advantage compared to their neighboring cities.

Local Property Taxes Rates

The cost of doing business, especially property taxes, can induce or discourage private investment and is routinely considered by developers in site selection. Property tax rates are more of a factor than income or sales taxes. State and federal income tax rates and business taxes are, of course, uniform among Kansas communities. Retail sales tax rates, though slightly varied among communities, are not a determining factor in where retail businesses choose to locate, although shoppers are not indifferent to varying sales tax rates.

Table 3-8 summarizes total 2006 property tax rates for the nine area cities. Basehor had the lowest local property tax among the nine area small cities. These cities are likely competitors to the corridor communities for new commercial and industrial development.

- Tonganoxie and Basehor's property tax rates are 5 and 13 percent lower than the average of nine similar sized cities in the area with whom the corridor's cities compete.
- These tax rates provide the corridor's communities with a competitive advantage for those businesses whose location decisions are influenced by personal and real estate property tax rates. Of course, all of the communities in Kansas have the potential to offer property tax abatements for manufacturing-related development.

Table 3-8: Area Cities Total Property Tax Rates for 2006

Rank; City	Total Tax Rate	City vs. Average
1. Basehor	117.107	(13%)
2. Eudora	119.815	(10%)
3. Tonganoxie	125.451	(5%)
4. De Soto	127.872	(3%)
5. Leavenworth (city)	136.153	3%
6. Spring Hill	136.242	3%
7. Gardner	138.001	5%
8. Bonner Springs	139.841	6%
9. Edwardsville	148.399	11%
COMBINED AVERAGE	133.098	N / A

Source: League of Kansas Municipalities.

Competition with Other Highway Corridors

For purposes of projecting the future development potential in the corridor, the corridor was measured against five other actively developing highway corridors in the metropolitan area. In addition to retail pull factors, educational attainment levels, lease rates and property tax

rates, transportation and demographic related factors also influence the amount of type of development along highway corridors.

Attracting new commercial development is also influenced by:

- Average daily traffic counts,
- Access and proximity to Interstate highways,
- Availability and access to rail,
- Ease of access to passenger air service,
- Size of labor market, and
- Population growth rates.

The wider availability and more accessibility to transportation options, the better an area's opportunity is to attract new business.

For purposes of evaluating the US 24/40 Corridor, five other highway corridors ranging in length from 8 to 25 miles located in growing, suburban settings were considered. Two of the corridors are shorter in distance than the US 24/40 Corridor, and the remaining three are longer. Several of the highway corridors have more limited access than US 24/40 Highway which can influence some business most dependent on transportation and/or commuter patterns.

Table 3-9 summarizes the five corridors and their characteristics. While no two corridors are the same nor exactly comparable to the US 24/40 Corridor, these comparisons illustrate the competition for attracting new business development and how the US 24/40 Corridor compares today to these growth corridors.

The US 24/40 Corridor compares favorably in the following areas:

- The corridor is closer to KCI than four of the five other corridors, and
- Basehor's population growth in the past decade was higher than that of Spring Hill and Liberty.

The US 24/40 Corridor has the following competitive disadvantages:

- Lower average daily traffic count
- Further from the Interstate Highway system
- No direct rail access and
- A smaller labor pool than the other corridors.

In addition, proposed developments along the US 71 and M-152 highway corridors in Missouri are routinely eligible for a broader range of financial incentives from cities and/or the state than are available in Kansas communities. All of these factors were considered in projecting the amount of commercial and industrial land that can be absorbed in the next two decades in the US 24/40 Corridor.

Table 3-9: Area Highway Corridor Comparison

Corridor	US 24 / 40	K - 7	K - 10	US 71	US 169	MO 152
County(s)	Leavenworth	Leavenworth - Johnson	Douglas - Johnson	Jackson - Cass, MO	Johnson - Miami	Platte -Clay, MO
Connecting Cities	Tonganoxie - Basehor	Lansing - Olathe	Lawrence - Overland Park	Grandview - Raymore	Olathe - Spring Hill	Parkville - Liberty
Transportation Profile						
Closest Point to KCI	11+ miles	25 miles	25 miles	9 miles	8 miles	19 miles
Peak Average Daily Traffic	15,000 vehicles	27,500 vehicles	32,585 vehicles	69,956 vehicles	29,600 vehicles	19,502 vehicles
Closest Point to KCI	26 miles	26 miles	31 miles	35 miles	41 miles	5 miles
Direct Interstate Access	No; 2 miles to I-70 via K-7	Yes; I-70	Yes; I-435	No; 3 miles to I-435	Yes; I-35	Yes; I-29
Rail Access	No	No	Limited	Yes	Yes	No
Demographic Profile						
Largest Corridor City	Tonganoxie	Olathe	Overland Park	Grandview	Olathe	Liberty
Largest City Population	3,317	105,274	160,368	24,549	105,274	29,042
2005 Corridor Labor Pool	33,255	364,117	352,001	393,114	305,217	159,737
Fastest Growing Corridor City	Basehor	Olathe	DeSoto	Raymore	Spring Hill	Liberty
1990 - 2000 City's Population Growth	38.7%	45.2%	99.1%	99.3%	24.5%	22.7%
Other Major Asset(s)	<ul style="list-style-type: none"> ▪ Lower taxes ▪ Proximity to Village West ▪ More affordable housing than Johnson County 	<ul style="list-style-type: none"> ▪ Access to K-10 and I-70 <p>Established business parks in Shawnee and Olathe</p>	<ul style="list-style-type: none"> ▪ Access to KU and other higher ed. facilities <p>Active inter-governmental association</p>	<ul style="list-style-type: none"> ▪ Intermodal Facility under development ▪ Missouri incentive programs 	<ul style="list-style-type: none"> ▪ Proximity to Johnson County Executive and New Century Airports 	<ul style="list-style-type: none"> ▪ Proximity to KCI ▪ Missouri incentive programs

Source: U.S. Census; KDOT; MODOT; RICHARD CAPLAN & ASSOCIATES; Bucher, Willis & Ratliff Corporation

Projected Corridor Market Demand

The economic opportunities and ability to diversify the corridor's area economy through new commercial development constructed over the next two decades will be influenced by local public policies, US 24/40 Highway improvements, new interchange access to I-70, and other critical choices made by community leaders. Therefore, two alternative scenarios were prepared to project the amount of new commercial and industrial development. These scenarios incorporate a combination of the Tonganoxie Comprehensive Plan, U.S. Census population growth rates since 2000, and Mid-America Regional Council population projections for census tracts in the US 24/40 Corridor area in Southern Leavenworth County. Together, these assumptions project that the corridor's combined population will grow by approximately 6,000 to 6,750 new residents by the year 2030.

The two alternative growth scenarios are:

- Moderate Growth Scenario – This scenario assumes the corridor will continue to plan for the future by designating new business districts, marketing the corridor's communities, and constructing infrastructure as needed to accommodate growth.
- High Growth Scenario – This scenario further assumes the communities along the corridor and the County will more aggressively promote the US 24/40 Corridor, aggressively targeting financial incentives to attract new development, and invest and construct the necessary infrastructure in advance to accommodate this growth.

The corridor's proximity to Village West in Kansas City, Kansas with its generous development incentive practices means Basehor, Tonganoxie, and the County are in an aggressive environment. Financial incentives for industrial development and major office users have become the norm in the world of economic development. The use of incentives will help determine whether the corridor experiences a moderate or high growth scenario. The use of financial incentives to entice companies is most appropriately tied to:

- waiving or significantly discounting local permit fees,
- property tax abatement, and
- public financing considered with private investments.

Other financial incentives should be targeted to those businesses which best diversify the local economy and generate the most new employment opportunities. Assistance may include participating with employer's relocation expenses. Financial participation to relocating businesses is sometimes based on the amount of new private investment and/or the number and wage levels of new jobs created.

Existing Commercial and Industrial Development

Table 3-10 summarizes the amount of commercial square footage in 2006 according to data supplied by the Leavenworth Appraiser's Office.

- Basehor and Tonganoxie had a combined total of nearly one million square feet of retail, office and industrial development in 2006.
- Tonganoxie had 66 percent of this total non-residential development.

These totals were compared on a per capita basis to several cities in Johnson County where valid square footage data is available, as well as to Wyandotte and Johnson Counties and the Kansas City metropolitan area. They serve as an important factor in projecting the commercial and industrial growth that the corridor can expect to achieve with improvements to the corridor, as well as new access to Interstate 70.

Table 3-10: Corridor Cities Commercial Square Feet by Use 2006

	Retail	Office	Industrial	TOTAL
Basehor	80,525	79,596	155,156	315,277
Tonganoxie	344,490	101,202	173,313	619,005
TOTAL	425,015	180,798	328,469	934,282
Square Feet Per Capita	60 sq. ft.	26 sq. ft.	47 sq. ft.	N / A

Source: Leavenworth County Appraiser's Office.

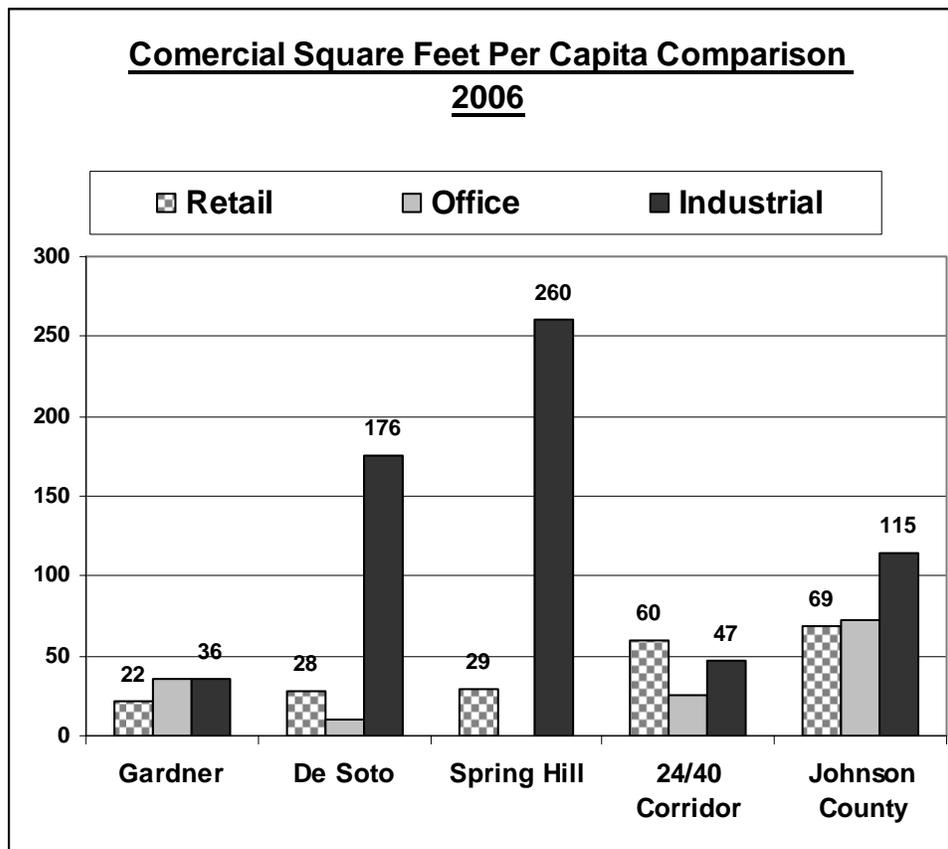
Table 3-11 and **Figure 3-2** summarize the amount of retail, office, and industrial square footage in selected areas in 2006. Overall, Basehor lags in the comparison to other cities and the region in retail, office and industrial development per capita while Tonganoxie falls below the norm in the office and industrial comparisons. As the corridor is enhanced with new transportation improvements and new residential subdivisions are completed and occupied, the area will approach the metropolitan area averages per capita.

Table 3-11: Commercial Development Comparison in Square Feet, 2006

Jurisdiction	Retail Space per Capita (s.f.)	Office Space per Capita (s.f.)	Industrial Space per Capita (s.f.)
De Soto	28	10	176
Gardner	22	35	36
Shawnee	57	17	80
Spring Hill	29	N / A	260
Johnson County	69	73	115
Wyandotte County	N / A	N / A	248
Kansas City Metropolitan Area	N / A	43	125
24/40 Corridor:			
Basehor	24	27	47
Tonganoxie	91	24	46
Combined Average Square Feet per Capita	60	26	47

Source: Block & Company, Inc.; Johnson County Appraiser's Office; Colliers International; Leavenworth County Appraiser's Office.

Figure 3-2: Commercial Development Comparison in Square Feet, 2006



Based on an analysis of these comparisons, transportation factors, demographic characteristics and economic conditions, the demand for retail, office and industrial space and acreage for the corridor through 2030 were projected and are provided in **Table 3-12**. The corridor's commercial market is defined as the area encompassing the cities of Basehor and Tonganoxie. A small amount of this projected square footage may occur along unincorporated sections of the US 24/40 Highway. These projections result in the US 24/40 corridor communities absorbing between 975,000 and 1.3 million square feet of new retail, office and industrial development. Based on common site planning criteria, this will absorb a total of approximately 104 to 140 acres. Approximately 84 to 116 these acres are estimated to be located immediately in the corridor.

It should be noted that not all of the retail and office projected demand for Basehor and Tonganoxie will be located along US 24/40 Highway as both cities have other areas of their community suitable for commercial development, such as Downtown Tonganoxie and an area anticipated for Downtown Basehor, as well as a new industrial site identified in the Basehor Comprehensive Plan east of the proposed Downtown.

Table 3-12: Corridor Cities Projected Commercial Demand through 2030

Major Land Use	Moderate Growth Scenario	High Growth Scenario	Estimated Corridor Capture Rate; Acreage
Retail	400,000 sq. feet (40 acres)	425,000 sq. feet (42 acres)	75% – 90% (30 – 40 acres)
Office	190,000 sq. feet (19 acres)	225,000 sq. feet (23 acres)	75% - 90% (16 to 21 acres)
Industrial	385,000 sq. feet (45 acres)	650,000 sq. feet (75 acres)	60% – 75% (38 – 55 acres)
Totals: Square Feet (Acres)	975,000 sq. feet (104 acres)	1,300,000 sq. feet (140 acres)	----- (84 – 116 acres)

Source: RICHARD CAPLAN & ASSOCIATES.

Conclusion

In summary, to be responsive to the market demands of the area's economy through 2030, the County and the communities of Basehor and Tonganoxie should plan for a total of between 975,000 and 1,300,000 square feet of new commercial development. This would consume approximately 104 to 140 acres of land. The corridor's strengths include lower municipal property tax rates and building lease rates, while its comparatively smaller labor pool and educational levels of its labor force will influence the type and amount of commercial development. The projected capture rate for each community will be influenced by availability of infrastructure, maintaining tax rates lower than their competitors, proactive community marketing, improving local transportation systems, and good land use planning, as well as good traffic controls and access management.