

APPENDIX 1



**IDENTIFICATION OF MARKET-BASED STRATEGIC
ACTION PLAN FOR ENHANCEMENT OF CENTRAL CITY WAUKESHA**

February 2011

A Report to

GRAEF

From

*APPLYING KNOWLEDGE
CREATING RESULTS
ADDING VALUE*

C1295

GRUEN GRUEN + ASSOCIATES
Urban Economists, Market Strategists & Land Use/Public Policy Advisors

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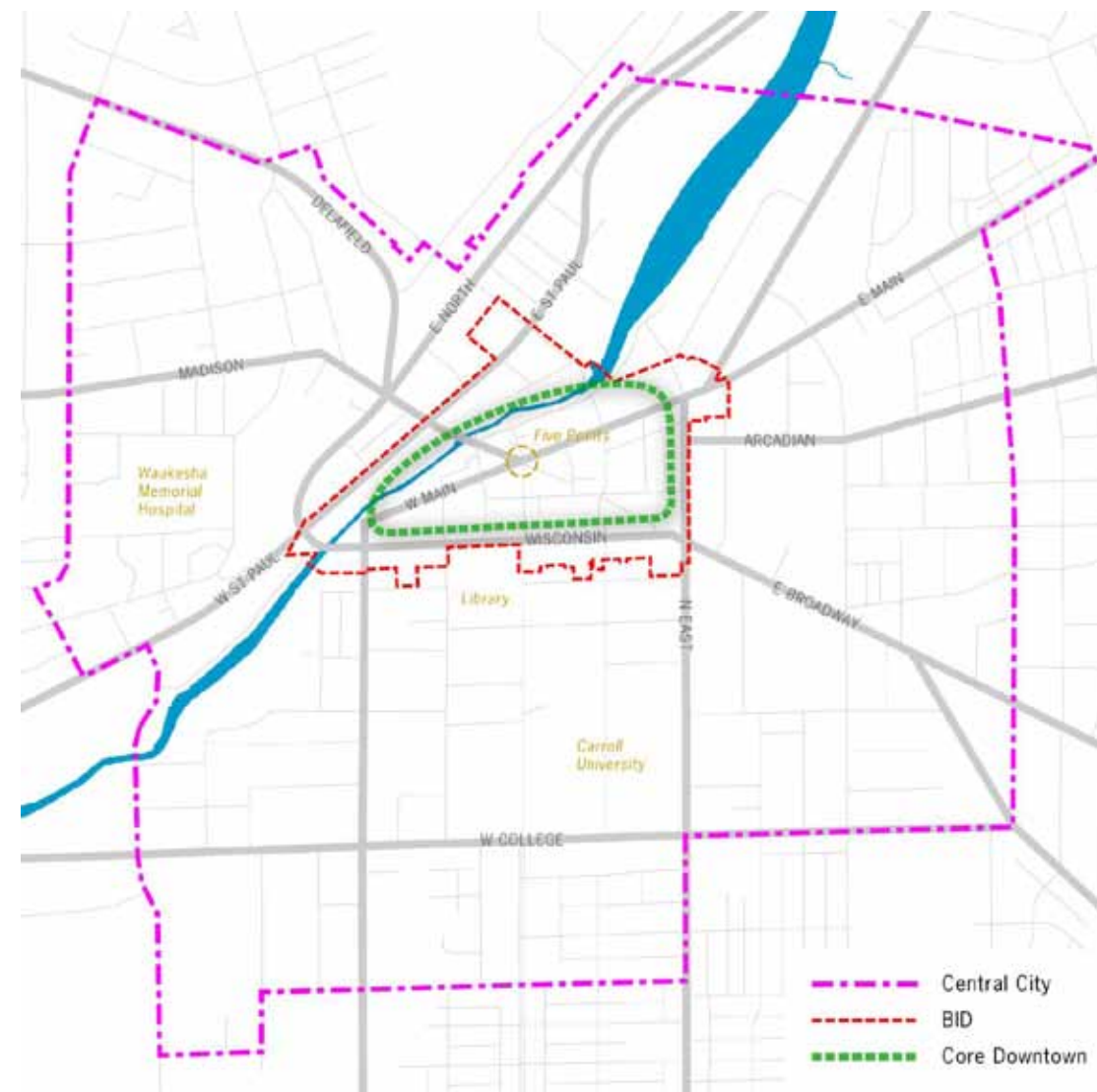
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INTRODUCTION

This report presents the key findings, conclusions, and recommendations by Gruen Gruen + Associates for the planning and implementation of the enhancement of Central City Waukesha. As described below in Map 1, the research, analysis and recommendations summarized in this report focus on the core Downtown (north of Wisconsin Avenue, west of East Avenue, and south of the Fox River). The Business Improvement District within the Central City encompasses a slightly broader geographic area, including some properties on the south side of Wisconsin Avenue and north of the Fox River, generally southeast of Saint Paul Avenue.

Map 1: Core Downtown and Central City



The findings, conclusions and recommendations are based on our inspection of the Central City, analysis of secondary data sources, and in-person and telephone interviews with merchants, property owners, developers and brokers and leasing agents as well as Waukesha Civic Theatre, City staff and Chamber of Commerce representatives. Appendix A contains a list of individuals and Downtown businesses with whom GG+A spoke.

MARKET NICHEs AND DEMAND OPPORTUNITIES

We have synthesized the results of the research and analysis, including interviews, into the following sections:

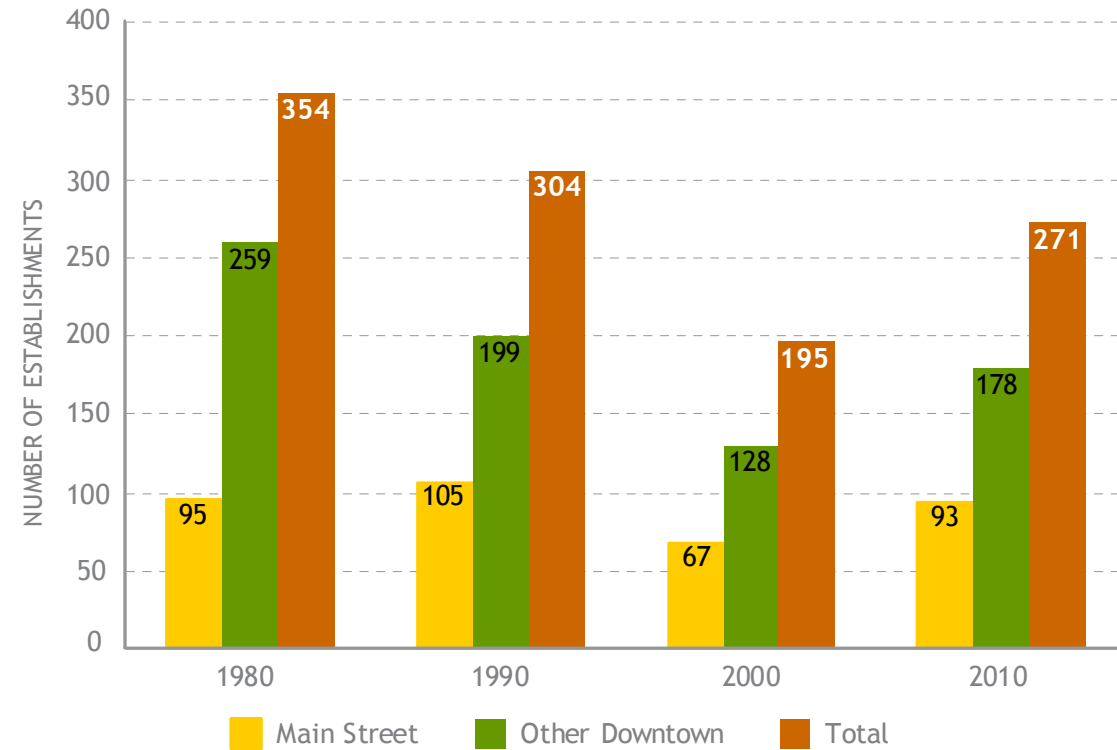
1. Historical Evolution of Downtown and Patterns of Economic Change;
2. Factors That Encourage Demand or Locational Strengths;
3. Factors That Discourage Demand or Locational Weaknesses;
4. Competing Supply Options and Identification of Potential Market Niches; and
5. Enhancement Strategies and Actions.

HISTORICAL EVOLUTION OF DOWNTOWN AND PATTERNS OF ECONOMIC CHANGE

Downward Shifts in Office and Traditional Retail Uses Through 2000

A major conclusion drawn from the review of patterns of economic and land use change described below is **the Central City has been affected by the same downward shifts in office and traditional retail uses that have been noted in many other smaller-sized central cities.** The Central City has not shared in retail growth proportionally as much of the newer centers providing both shopper/comparison and convenience/necessity goods have been developed outside the urban core. These newer centers have been located along or near the interstate highways closer to where many of the new residential neighborhoods and much of the new office space construction has occurred. Like many smaller-sized central cities, Downtown Waukesha experienced a decline when retailers and office users and institutional (e.g., Courthouse) uses moved out of the Downtown to more accessible and larger suburban agglomerations. Sears, Montgomery Ward's, J.C. Penney, Radio Shack, and the Schultz Brothers department store (all of which were previously located on Main Street) completed moving out of Downtown Waukesha by the late 1980s/early 1990s, at about the same time the Brookfield Square Mall, a highly accessible 1.2 million-square-foot regional mall in Brookfield, was expanded. The decline in the number of establishments located in the core Downtown between 1980 and 2000 is illustrated below in Figure 1.

Figure 1: Number of Establishments Located in Core Downtown Over Time*



* Based on review of historical Polk Directory listings. Inventory includes establishments located on primary streets within the Downtown Business Improvement District which today include the preponderance of activity. Includes, in addition to commercial establishments, other civic and institutional uses. Map B-1 in Appendix B highlights the streets included in the “core Downtown” definition for purposes of the inventory trend analysis.

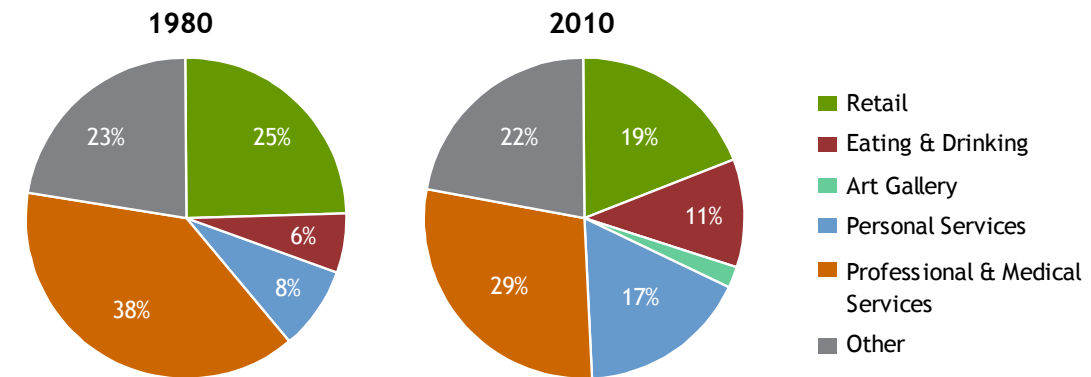
Throughout the 1980’s and 1990’s, the number of establishments is estimated to have decreased by nearly 45 percent. In 1980, the Downtown contained more than 350 establishments. By 2000, the number of establishments located in Downtown declined to less than 200. Main Street experienced a smaller decline than the broader Downtown as a whole. The number of establishments on Main Street decreased by 30 percent between 1980 and 2000. Businesses on Main Street comprised 27 percent of total establishments in 1980. By 2000, Main Street included nearly 35 percent of the total number of Downtown establishments.

Future Mix and Activities Will Differ From Those in Past

Another major conclusion drawn from the identification of patterns of land use and economic change and the interviews is the future focus of Central City Waukesha will result in a mix of land uses and activities that differ significantly from the historic package of uses. The past is not likely to be recreated with general retailing uses that serve the entire region with basic goods of the kind found in the traditional department stores once located Downtown. Three decades ago, retailers and professional and medical service providers represented nearly 65 percent of all Downtown businesses. As summarized in Figure 2, the mix of uses and activities present along Main Street and elsewhere in the Downtown has evolved over time; particularly in favor of eating and drinking establishments, art galleries and arts and craft-related

merchants, and personal services.

Figure 2: Relative Mix of Establishments Present Downtown – 1980 and 2010



Office uses - particularly medical office - have declined over time as a proportion of total business establishments. The Downtown, for example, contained nearly 140 professional service and medical-related establishments in 1980. Today, the Downtown is estimated to include only 80 such establishments.

Size of Building Inventory Reflects Former Regional-Serving Role of Central City

Although the type and scale of activity in the Central City has shifted downward, its extensive physical footprint reflects its past when it served as a center of commerce for a broad geographic area. Based on parcel level information provided by the City of Waukesha to the consulting team, privately-owned commercial properties located in the Business Improvement District are estimated to occupy approximately 38 acres of land.¹ These properties contain an estimated 580,000 square feet of ground floor building space. Table 1 summarizes the distribution of land area and ground floor space by land use category.

¹ Not including condominium properties (for which data was unavailable) or apartment uses.

TABLE 1
Ground Floor Building Space Within Downtown Business Improvement District¹

Land Use:	Land Area # Acres	Percent of Total %	Ground Floor Building Space # Square Feet	Percent of Total %
Office	7.9	21.0	98,100	16.9
Bank	5.9	15.6	84,200	14.5
Department Store	1.2	3.2	26,500	4.6
Bar / Lounge / Dining	2.5	6.6	29,800	5.1
Store or Shop	6.2	16.4	164,400	28.3
Store w/ Apartments or Office Above	4.0	10.9	107,700	18.5
Supermarket	1.3	3.4	21,000	3.6
Warehouse / Showroom	0.5	1.3	7,400	1.3
Other Commercial	3.5	9.3	42,300	7.3
Commercial Land	4.5	11.9	0	0.0
Total	37.7	100.0	581,500	100.0

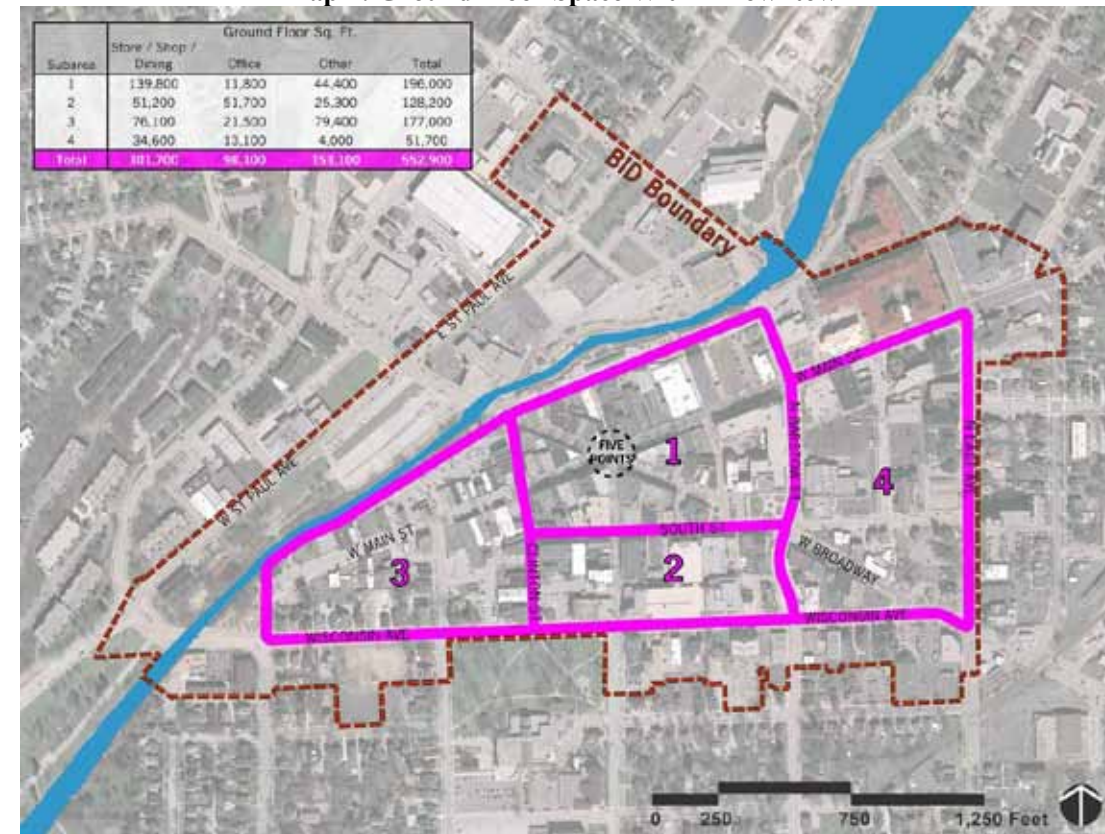
¹ Figures are rounded. Includes properties classified as commercial by the City of Waukesha Assessor, excluding condominium parcels (for which data was unavailable). Does not include apartments.

Sources: City of Waukesha; Gruen Gruen + Associates.

Office and bank land uses within the BID occupy about 37 percent of total privately-owned commercial land area, including an estimated 180,000 square feet of ground floor building space. Bars, lounges, dining and retail stores and shops occupy approximately 34 percent of land area including approximately 300,000 square feet of ground floor building space (approximately four acres of which is categorized as stores with apartments or offices above ground floor uses). The remaining 30 percent of commercial land is comprised by other uses (e.g. department store, showroom, supermarket) or includes non-building space improvements.

As summarized in Map 2 below, this ground floor commercial space is concentrated around the core nucleus of the Downtown at the five-way nexus of Main Street, Broadway and Grand Avenues (Area 1). Main Street and the “Five Points” have served as the anchor of the Downtown for many years. Main Street continues to be the source of much of the Downtown’s energy and vitality. Its shops, galleries, restaurants, and cultural activities continue to serve as the magnet that attracts much of the visitation to Downtown. The interviews and use and tenaning patterns indicate Main Street with the highest volumes of foot traffic has been the location historically and currently preferred by many tenants.

Map 2: Ground Floor Space Within Downtown¹



¹ Does not include buildings sited on parcels classified as residential, manufacturing or exempt (i.e. publicly owned) properties.

The second largest concentration of ground-floor commercial space is generally located on the west end of the Downtown (Area 3), north of Wisconsin Avenue and west of Clinton Street. The eastern portion of the core Downtown (Area 4) contains very little ground floor commercial space. Commercial space in Area 2 (between South Street and Wisconsin Avenue) consists of the highest concentration of office space.

Revitalization Begins: 2000 to 2010

In the mid 1990’s, the Downtown contained few art galleries and specialty shops and many empty storefronts. **Beginning with such initiatives such as the City’s \$20+ million investment in redevelopment of the Fox River Riverwalk, elimination of one-way streets in Downtown in the early 2000’s and stepped up community policing programs, the City began to help create a more inviting Downtown environment. The Downtown’s stock of architecturally significant buildings and low cost spaces also helped to contribute to the creation of an artists’ community in Downtown Waukesha.** Over a decade ago, a small café (Sprizzo Gallery and Café) featuring art and meeting space for artists was the catalyst for the attraction of artists and art-related uses in Downtown Waukesha. The owner of this gallery began an “Art Crawl” that began to attract people Downtown and has since grown to now comprise five Art Crawls per year. Downtown Waukesha has developed as a center for visual and performing arts. Over 100 artists are reported to either show artwork or rent studio space in Downtown. Six art galleries and dealers are now located in Downtown Waukesha, in addition to photography

studios, antique dealers and experiential-based craft stores and craft-type galleries (i.e., pottery). Friday Night Live, which runs June through September and hosts free live music on seven stages, is reported to attract 3,000 to 4,000 visitors.

In 1999, the Waukesha Civic Theatre moved out of their Washington Avenue location and into the renovated PIX Theatre in the heart of Downtown and has held regular performances for now more than a decade. In 2006, the Theatre expanded its scale of activity. With a main stage capacity of approximately 260 seats, the Waukesha Civic Theatre attracts more than 20,000 visitors to Downtown each year.² Based at 234 West Main Street, The Wisconsin Philharmonic also performs at Carroll University.

Consistent with the revitalization described above, the **Downtown**, as summarized below in Table 2, **added a total of 76 establishments between 2000 and 2010.**³

² Most subscribers originate from Waukesha County. Typical audience sizes for Main Stage shows range from 150 to 250 people. The subscriber base is oriented to older adults. Attendance at summer programs was insufficient to justify costs of performances but the Theater has expanded its educational programming and availability of the facilities for various events.

³ Appendix B contains additional tables summarizing inventory trends within Downtown for 1980 and 1990.

	2000 #	2010 #	Net Change #	Net Change %
Eating and drinking places	12	29	17	142
Arts, craft and hobby-related stores ¹	11	16	5	45
Other retail stores	27	36	9	33
Art galleries/dealers	2	6	4	200
Beauty salons and barbers	9	11	2	22
Instruction / training and related ²	4	10	6	150
Other personal services ³	13	25	12	92
Professional / business services ⁴	55	68	13	24
Medical services	8	10	2	25
Hotels	0	1	1	---
Cultural and entertainment	2	3	1	50
Civic, institutional, social services	30	28	-2	-7
Other ⁵	22	28	6	27
Total	195	271	76	39
Notes:				
¹ Includes novelty and gift shops, book and music stores, hobby/collectable stores, arts and craft-type stores and antique shops and dealers.				
² Dance, ballet, art academies, karate studios, pre-schools, day care services, etc.				
³ Tattoo and piercing parlors, repair shops, dry cleaners, travel agencies, etc.				
⁴ Generally includes banks, insurance agents, real estate brokers, appraisers, consultants, attorneys, and other business service firms.				
⁵ Unclassified establishments and other non-retail businesses (industrial parts/equipment suppliers, sign makers, etc).				
Sources: Polk Directories; Gruen Gruen + Associates.				

The inventory trends by type of establishment summarized above are consistent with the results of our interviews. In nearly every category, the Downtown has improved over the past 10 years. More than one-third of the increase in Downtown establishments that occurred over the past decade was comprised by restaurants, art galleries and arts, craft and hobby-related stores. Examples of restaurants and other food establishments attracted to the Downtown include Sloppy Joe's Soda Fountain, Divino Gelato, The Steaming Cup, and Taylor's People's Park. Examples of specialty stores attracted to the Downtown include Bangles & Bags, Three Sisters, Scott's Creative Trenz, Allo Chocolate, Jess Fluer Fun, Beading Hearts. In the past four years, the Downtown Business Association grew from 13 members to 61 members.

The low rents, Downtown's increasing foot traffic due to the increasing base of restaurants and specialty shops, historic character, and increasingly pleasant atmosphere has been a draw for these new businesses. While store turnover and closures have occurred (including Katydid's, a popular home décor store and an art supply store which closed for personal reasons of the owner), new establishments have come in to take their place. For example, the owner of Divine Gelato purchased the former Miss Kim's restaurant and turned it into Sloppy Joe's Soda Fountain. Enve Salon moved into the space of a former dance studio.

Instructional and education-related and personal service establishments (e.g., Main Street Ballroom, Enve Salon, and Moxie Beauty Lounge) also grew considerably, increasing by more than 100 percent. Professional and business services increased by 13 establishments, representing a lower but still significant percentage increase of 24 percent.

The Clark Hotel and Black Trumpet restaurant opened last year in a renovated building on Main Street at the Five Points intersection. The boutique hotel provides 20 rooms on the second and third floors with a full service restaurant on the first floor. Several other new restaurants (including Taylor's People's Park) have been attracted to Downtown due to the opening of the new hotel and restaurant. Over the past decade (2000-2010), Polk Directory listings indicate the number of Downtown restaurants grew by 142 percent from only 12 in 2000 to 29 in 2010.

With the revitalization of Downtown over the past decade, a small amount of new multi-family housing has been added. The Rivers Edge apartment complex added 24 units in 2007, and phase 1 of the Mill Reserve Condominiums – consisting of 30 units (11 units in phase 1) - also broke ground in 2007. The Landings, formerly an apartment complex, was converted to condominiums in 2007. Neither condominium project, however, is reported to have performed well. The Landings apartment/condominium complex has been reportedly purchased by an investor now seeking to sell the remainder of condominium units at extremely low prices of approximately \$100,000 per unit.

While the affects of the Great Recession have undoubtedly affected the performance of these projects, the poor results also reflect the challenges in attracting pioneering households to buy higher-priced units at this stage of the Downtown's evolution. Interviews with representatives of multiple projects indicate prospective buyers currently tend to be unwilling or unable to pay asking prices necessary to support the costs of new construction. Units in phase 1 of the Mill Reserve were anticipated to sell for approximately \$350,000; only one unit was sold at that price and some remaining units have since been converted to rentals. Asking prices have been reduced by approximately 20 to 35 percent. Another Downtown property owner which converted second-floor space into two condominium units approximately one year ago has been unable to attract buyers willing to pay prices necessary to amortize and provide a return on the costs to convert the building space to residential condominium units.

Perceptions of Social Discomfort and Insecurity Have Diminished But Persist

The interviews confirm the “comeback” of the Downtown described above. On the whole, merchants, developers, real estate brokers, leasing agents, artists, and representatives of institutions and civic groups are upbeat about the changes that have occurred in the Downtown. The interviews, however, indicate that the Downtown is to a reduced extent perceived as relatively unsafe. Social service and welfare-related tenancies present in the Downtown contribute to this perception. For example, St. Matthias Episcopal Church on Main Street was granted a temporary conditional use permit to operate a Hebron House of Hospitality men's homeless shelter. Downtown also includes mental health, rehabilitation, child services, family counseling, and other non-profit social service and welfare agencies as well as boarding houses serving sex offenders, substance abusers, and the mentally ill. While the provision of social services are important, the concentration and clustering of such services in the Central City (in part because of the low rents obtainable for space and less opposition to the placement of such services in the Central City compared to suburban locations) contribute to the perception of social insecurity. Downtown also includes many consignment shops (Salvation Army,

Goodwill, etc) and tattoo and piercing parlors that represent less desirable activities to some visitors.

FACTORS THAT ENCOURAGE DEMAND OR LOCATIONAL STRENGTHS

The interviews and field research indicate the primary factors that encourage demand or represent competitive advantages of the Downtown include the following:

- Fox River and Fox River Riverwalk;
- Presence of historic buildings which in conjunction with the Fox River provide the Downtown with a unique sense of place and physical character;
- A central location within the community and Waukesha County;
- Proximity to nearby institutions (such as Carroll University) and large employers that help support Central City activity and sales;
- An improving perception of the Downtown core as a multi-faceted “shop, dine, play” environment, including a growing urban nightlife atmosphere not readily duplicated elsewhere in adjoining suburban areas;
- Low rents that can be used to induce unique and interesting retail or other incubator entrepreneurs to locate Downtown. For example, our interviews suggest attractive space costs have induced a variety of specialty store merchants, including hobby, crafts and art-related as well as clothing and accessory stores such as Serendipity, Allo! Chocolat, and Horse Emporium to locate Downtown. The low rents, however, suggest that in order to support feasible development, newly built space will need to obtain higher than market rents;
- Events such as the *Friday Night Live* and *Diva Day* as well as *Art Crawls* that attract significant visitation to Downtown and help residents to view Downtown as relevant to their sense of community. Events such as *Friday Night Live* generate sales spillover to some specialty retail merchants and eating and drinking establishments; and
- The cooperative environment in which non-chain, local entrepreneurs help generate sales spillover for each other by appealing to similar types of customers and holding in-store experiential events and other promotional activities. Examples of experiential activities in addition to the special events include activities such as readings and performances at Martha and Merrell's Books, instructional “scrap booking” sessions at Serendipity, and theatre performances and classes at Waukesha Civic Theatre.

FACTORS THAT DISCOURAGE DEMAND OR LOCATIONAL WEAKNESSES

The following factors discourage the attraction of demand or represent primary disadvantages:

- Especially for non-local residents or relatively infrequent resident visitors, a perception exists that the Downtown is not readily accessible given its distance

from Interstate 94 and the relatively unattractive and indirect pathways and entry sequences (including visual landmarks) to the Downtown;

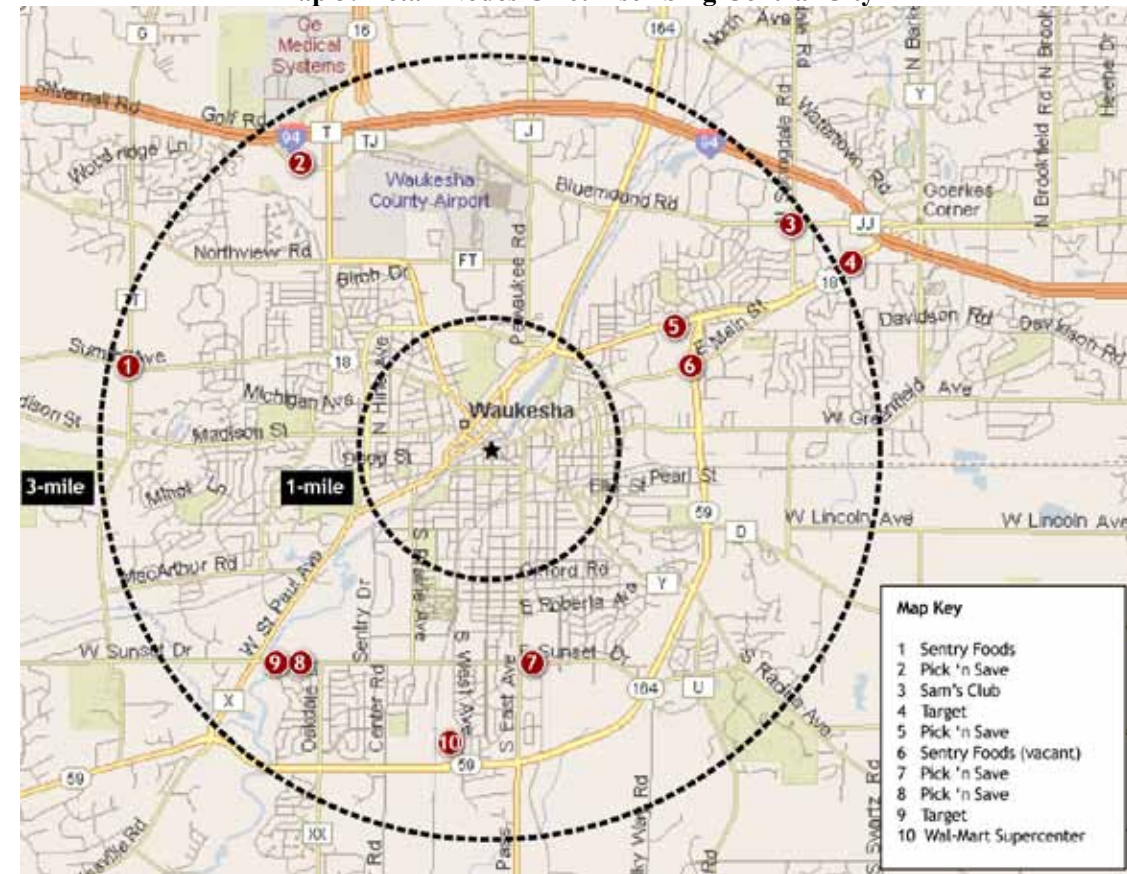
- The Downtown is perceived to be disjointed (in part due to the presence of the Fox River) and somewhat difficult and confusing to navigate given its untraditional, in some cases triangular, street grid;
- The obsolescence of some space, particularly some buildings with office space which have outdated configurations and outdated mechanical and life safety systems, and tenant improvements (the Central City office worker base has diminished as a result of locational shifts of businesses and public administrative functions);
- The perception of a parking shortage. It is an American truism that wherever the commercial agglomeration, the amount or placement of parking is almost always a tenant complaint. The interviews with merchants and others were no exception. The interviews and our own experience indicate that the two-hour limitation on the use of street parking also discourages multi-purpose visits such as dining, strolling and browsing;
- Public parking facilities for new or infrequent visitors are not always obvious to find and in some cases (e.g., the parking garage on south side of Downtown) appear to be in disrepair; and
- While much improved over the past five years, perceptions of some safety and social insecurity concerns persist. This relates in part to the presence of various social welfare-related services (e.g., homeless, halfway house, etc.) which act as disamenities or negative externalities - factors that make it harder for adjoining uses to succeed - and create a negative image of the Downtown.

COMPETING SUPPLY OPTIONS AND IDENTIFICATION OF POTENTIAL MARKET NICHEs

RETAIL

The results of our interviews suggest that community shopping areas in Waukesha in addition to well-established regional retail agglomerations in Brookfield (e.g., Brookfield Square Mall and Bluemound Road) primarily compete for the expenditures of area residents and workers that could be served or are served from the core Downtown and other commercial uses in the Central City. The retail supply surrounding the Central City as shown in Map 3 below, limits the trade area for necessity, convenience and other goods and services available in standard neighborhood and community shopping centers and category-killer, big-box stores.

Map 3: Retail Nodes Circumscribing Central City



Three primary neighborhood and community-serving retail nodes/corridors encircle the Central City; to the northwest at Silvermail Road, to the south along Sunset Drive, and to the northeast along Moreland Boulevard. Each are located within three miles of the Central City, including a variety of necessity-related retailers in combination with big-box category-killers (e.g. Kohl's and Office Depot), general merchandisers (e.g. Target and Wal-Mart Supercenter) and fast-food and fast-casual restaurants. Five full-service grocers are located within three miles of the Central City. The well-established shopping locations possess greater accessibility, ample parking, and

an ease of getting “in and out” that cannot be easily duplicated in the Central City

The large supply of commercial space outside of the Central City, the relatively limited base and incomes of households in the Central City,⁴ and comparatively lower rents described below explain why limited new retail development activity has occurred in the Central City and why rents for even the core Downtown retail space (as summarized below in Table 3) are lower than rents for retail space located outside of the Central City.

Location	Available Space # Square Feet	Asking Annual Rent \$ Per Square Foot
<u>Central City/Downtown:</u>		
200 Delafield	4,700	6
401 Main	2,322	10
290 Main	800	11
840 Grand	2,600	11
801 Clinton	1,330	11
<u>Surrounding Retail Nodes:</u>		
Shops on Sunset (near new Target)	1,540	17
Silvernail Outlot (Silvernail & I-94)	1,090	23
Silvernail Shopping Center (Silvernail & I-94)	1,600	14
Grandview Crossing (Grandview Rd)	5,036	15
Bluemound Shopping Center (Bluemound & I-94)	2,790	14

Sources: Loopnet; Gruen Gruen + Associates.

Low effective rents at the prime Main Street locations range from approximately \$6 to \$13 per gross square foot. Rents are lower for South Street or other locations off Main Street. From these gross rents, operating expenses, insurance expense, and property taxes must be paid. Asking rents for space available in the core Downtown as summarized above in Table 3 range from \$6 to \$11 per square foot annually. Prevailing rents in the core Downtown **suggest limited unmet (or excess) demand for retail space relative to the supply of commercial space in the Downtown.** While rents are reported by major property owners to not have increased over 10 years, the number of vacant storefronts on Main Street has decreased as low rents have attracted entrepreneurs to the storefronts. According to the President of the Downtown Merchant’s Association and Downtown BID, in about the last four years, approximately 32 new businesses have opened in the Downtown and the Downtown Merchants Association has increased its membership from 13 to 61 members.

Market Niches

From a consumer’s perspective, **a successful Downtown serves as an anti-mall agglomeration.** An old marketing adage is to build upon existing strengths. **The basic building block of eating and drinking places should be augmented with the attraction of additional dining, entertainment and recreational uses.** Downtown eating and drinking establishments serve area

⁴ Within one-mile of the Downtown the population totals 17,045 and the number of households totals 7,575.

workers, students, and residents in Waukesha County. Retail stores, particularly specialty stores, depend upon foot traffic and visibility as a primary advantage in attracting customers. It is important for retailers to be near other stores, to be visible, and to offer an inviting street presence.

One critical niche which would be ideal to expand for the core Downtown includes smaller, but specialized apparel, accessory, and specialty tenancies (similar to existing tenancies such as Beading Hearts, Bangles & Bags, and Three Sisters) which have been recently attracted to the Downtown. A cluster of these kinds of tenancies are more likely to succeed than general merchandise stores or other types of stores found in standard shopping centers. These stores are representative of many stores in the core Downtown whose primary customers tend to be adult women between 30 and 60 years of age and which reside in Waukesha or nearby communities.

In addition, the emerging agglomeration of restaurants appealing to a wide variety of tastes and budgets should be cultivated to be able to draw from an extended geographic area. To the extent possible, entertainment venues—whether clubs, or cultural or recreation venues—should be concentrated within as compact an area within the Downtown as possible.

Once additional market rate multi-family units are integrated more fully in the land use mix, the resulting Central City retail base is likely to include one or more of the following:

- pet products and services businesses;
- food and wine stores, including delis that offer organic produce and prepared foods for takeout⁵;
- spas and other health and alternative health products stores; and
- personal services.

OFFICE

Office space users attracted to Downtown location include professional service firms such as lawyers and architects, business and technical service firms, including software and marketing firms, interior design firms as well as social service and non-profit organizations. Some office space users have leased ground floor space, especially on streets other than Main Street such as South and Grand. Ground floor office rents are reported to range from \$10 to \$12 per square foot. **Growth in the supply of new and efficient buildings with freeway visibility and accessibility in Waukesha and Pewaukee has limited the potential for major office users to locate in the Downtown.** According to an owner of office properties in Downtown Waukesha, office vacancies have increased over the last couple years as the suburban Waukesha County office market has declined and Downtown office space competes with other suburban supply alternatives with better accessibility, more available parking, and attractive rents for high-quality, modern space, including efficient floor-plates and building systems. One 32,000-square-foot

⁵ The Central City is surrounded by five major grocery stores, and nearby retail corridors are too accessible and well established with hard and soft goods retailers to suggest a full-service grocery store will be supportable in the near future given the supply options and amount of households residing in the Downtown.

Downtown office building which had been fully occupied two years ago is now less than 80 percent occupied. A large professional service firm moved out of the building to Milwaukee to be nearer to its client base.

Market Niche

Potential office space users are likely to center on local non-profit and government-related uses and smaller professional and business service and members of the “creative class” attracted to the location because of the pedestrian-oriented, urban ambiance, restaurants, proximity to residences, and low rents. Additional office space demand is likely to be complementary to retail and restaurant uses. Office space development is unlikely to represent the first or primary use that leads to the continuing revitalization and enhancement of the Downtown. Instead, by **creating a desirable, vital cultural, retail and multi-family housing environment, the Downtown will attract in a subsequent land use sequence additional office space users seeking the ambiance, proximity to services, and restaurants as well as convenience to where owners, managers and employees live at prices below conventional suburban office parks.** Some office space users have been attracted to office space Downtown because they outgrew their home-based start-up locations and Downtown will continue to attract this type of demand.

MULTI-FAMILY APARTMENTS

The existing multi-family apartment projects located Downtown include a mix of market rate and subsidized rental units. The Downtown multi-family housing base attracts younger-aged single or dual-income households, divorced individuals without children living at home, and older age households with limited incomes.⁶ Our interviews with leasing agents and developers of multi-family projects indicate that the pool of renters attracted to Downtown tends to be very diverse. The commonality among market-rate renters attracted to Downtown, however, is typically the absence of children. Most tenants of existing apartment projects within or near the Downtown move from locations within the Waukesha area. The presence of large, nearby employers and institutions (such as Carroll University, the Waukesha Memorial Hospital, GE, and State and County Government offices) contribute to the demand for Central City multi-family housing product. Our interviews suggest **as the Downtown has evolved into a more vibrant and exciting activity center, the multi-family product has attracted an increasing proportion of younger-aged households seeking proximity to bars, restaurants and social activities and events as opposed to relatively poor, elderly households selecting Downtown locations because of cost and limited alternative housing choices.**

Once the Downtown has a larger base of restaurant and entertainment options, additional multi-family rental housing should be planned to be integrated into the land use mix. Gen-Yers, the second-largest generation in the country, born between 1977 and 1994 and numbering 76 million, are leaving the nest. They may sometimes fall back into the nest, but eventually they find a place of their own for the first time. Gen-Yers, who tend to marry later and have fewer

⁶ Our interviews suggest older-age, affluent households are typically more sensitive to the image and security disadvantages associated with the location. Older households, especially those with higher incomes, also tend to have more housing choices (including the option to remain in their existing suburban locations).

children, will be a primary market for both multi-family rental housing and attractively-priced for-sale housing.

Downtown Apartment Supply

The review of supply and interviews indicates that **existing Downtown projects are currently well-occupied, but at low prices.** Table 4 summarizes the largest apartment developments in or near Downtown.

TABLE 4							
Examples of Larger Apartment Supply Within Downtown Waukesha							
Name	Location	Year Built	Total Units #	Occupancy Rate %	Unit Types # Beds/ # Sq. Ft..	Asking Monthly Rent ¹	Asking Monthly Rent Per Square Foot
Rivers Edge	Corrina and Buckley, Downtown	Phase I – 1993 Phase II – 1995 Phase III – 2007	Phase I – 224 Phase II – 92 <u>Phase III – 24</u> Total – 340	Phase I – 95 Phase II – 98 <u>Phase III – 100</u> Total - 96	Studio – 479 1-bed – 753 2-bed – 1,010 2-bed – 1,067 2-bed – 1,314	\$595 - \$630 \$780 - \$855 \$890 - \$950 \$1,125 - \$1,200 \$930 - \$1,125	\$1.24 - \$1.32 \$1.04 - \$1.35 \$0.88 - \$0.94 \$1.05 - \$1.12 \$0.71 - \$0.87
Main Street Plaza	Main St, Downtown	1998	68	99	Studio – 453 1-bed – 756 1-bed – 809 1-bed – 895	\$615 - \$645 studio \$775 - \$805 1-bed	\$1.36 - \$1.43 studio \$0.90 - \$1.03 1-bed
Mountain Village	North Street, Downtown	1988	310	95+	Studio – 450 1-bed – 752 2-bed – 921-1,104 2-bed TH – 1,250	\$575 \$720-\$775 \$815-\$870 \$975-\$995	\$1.28 \$0.96-\$1.03 \$0.79-\$0.88 \$0.78-\$0.80
Riverwalk	Riverside, Downtown	1990	136	98	1-bed – 772 2-bed – 1,070-1,360	\$695+ \$850-\$875	\$0.90 \$0.64-\$0.79
Apartments Above Ground Floor Commercial	Main St, Downtown		200+	90+	870 – 1,050	\$650 - \$840	\$0.75 - \$0.81
¹ Rents include monthly utilities (heat and water), and in some cases cable, internet and underground parking.							
Source: Gruen Gruen + Associates developer and leasing agent interviews							

The Rivers Edge apartments at Corrina and Main Street consist of 340 units. Phase 1 built in 1993 includes 224 units. The project was expanded in 1995 by 92 units and again in 2007 by 24 units. The development has enjoyed high occupancy rates, ranging from 95 percent to 98 percent. Rents have been stable and range from \$0.71-\$0.94 per square foot per month for older two-bedroom units (built in 1993-1995) and \$1.04-\$1.35 per square foot for smaller studio and one-bedroom units. The newest units added, two-bedroom units ranging in size from 1,100 square feet to 1,314 square feet, have asking rents of \$1.05 to \$1.11 per square foot per month. Rents include utilities and underground parking. Tenants include college students, young professionals, and elderly households. Most renters have moved from within Waukesha. The development includes subsidized units available to qualified lower income and elderly households. The renter base also includes employees with the State Government, Waukesha Memorial Hospital and Carroll University. The project competes primarily with other apartment complexes in or near Downtown.

Main Street Plaza consists of 68 units in four floors above ground floor retail space. Built 12 years ago, the project includes 16 one-bedroom units and 52 studio units. Rents for the 450-square-foot studios approximate \$1.40 per square foot per month, while the one bedroom units ranging from 756 to 895 square feet obtain rents of \$0.87 to \$1.02 per square foot for second floor units to \$0.90 to \$1.07 per square foot for fourth floor units. Higher floors obtain a rent premium due to river views. Rents include utilities and covered parking. The third floor includes primarily older and lower-income households receiving rent assistance through government programs. The project has also attracted some Carroll University students and Hospital workers. The project has maintained a high occupancy rate and is currently 99 percent leased. The one-bedroom units are preferred over the studios and if the project would be built today, it would include more one-bedroom units. According to the leasing agent, the project primarily competes with other properties in Downtown and suburban garden-style complexes such as Westgrove on The Lake located near St. Paul Avenue a few miles southwest of Downtown.

The 300-unit Mountain Village development, located north of the Fox River on North Street, includes a large base of younger-age households between the ages of 25 and 35 years and elderly households over the age of 70. The project also includes rent subsidized tenants, and college students whose parents pay the costs of the rent. Divorced individuals, some of whom have moved in with their elderly parents, have also been attracted to the location. The Mountain Village is currently 95 percent occupied. The leasing manager expects occupancy will improve in the spring leasing season. The winter months are typically the least active within the Downtown. Local large employers such as GE and Waukesha Memorial Hospital stimulate demand for the rental units. Occupancy has improved over time as the Downtown has added restaurants, bars and events.

In 1990, the 136-unit Riverwalk apartment project was developed using a HUD grant and tax exempt financing from the City of Waukesha. The project reserves 20 percent of the units for low-income residents. The Riverwalk has generally maintained high occupancy rates. Multi-family supply additions in Waukesha County have held down rental rates for this and other projects in the Central City.. Rents average \$0.90 per square foot per month and have not increased for one bedroom units which average 772 square feet, while two bedroom units averaging 1,070 to 1,360 square feet obtain rents of \$0.64 to \$0.79 per square foot. Elderly households comprise an estimated 70 percent of the tenant base. Most renters originate from within the City of Waukesha.

A five-story 26-unit apartment development constructed 12 years ago has one floor rented to Carroll University. In addition, the building has attracted healthcare professionals associated with Waukesha Memorial Hospital which rented units while building housing. The project has experienced no appreciation in rents.

One major downtown property owner which owns and manages over 200 apartment units – many of which are upper floor units over first floor commercial space in older building stock– indicated its portfolio of Downtown residential units are over 90 percent occupied. Renters are primarily younger residents that want to live Downtown and enjoy the urban environment or older residents on fixed incomes. The majority of renters moved from within Waukesha and consider other locations Downtown and east of the Downtown. The Hospital and Carroll University generate demand for some units. Government workers have not been sources of demand. Monthly rents range from \$650 to \$850 or on a per square foot basis, \$0.75 to \$0.81.

Market Niche

Multi-family rental housing will need to be geared to younger, relatively price sensitive households likely to be students or employees of firms or institutions located in or near the Downtown. The interviews suggest the emerging younger individual non-subsidized, housing base is attracted to the Downtown with a central location within the County and the availability of restaurants, bars, events, and vitality of an urban environment. This market niche of renters provides a necessary foundation of customers for the restaurants and entertainment options making the area more vibrant. Without sufficient numbers of Downtown residents (which at this time primarily includes renters), it will not be possible to support both daytime and nighttime activities. Increased activity also creates a higher level of social comfort and feelings of security.

Table 5 summarizes the projected growth in the population and households in Waukesha between 2009 and 2020. As described further in Appendix C, which contains a more detailed summary of socio-economic conditions likely to influence future demand for Central City housing, **future household growth in Waukesha over the next 20 to 30 years is likely to be significantly lower than the past rates of growth.**

	2009 #	2020 #	Change #
Waukesha Population	68,384	74,365	5,981
Waukesha Households	28,792	30,884	2,092
Households – ages 25-34	5,096	5,690 ¹	594

¹ Projections of households by age are not made by the Wisconsin DOA at the City-level. Assumes households between the ages of 25-34 will comprise the same share of household growth as forecast for the County.
Sources: 2009 American Community Survey; Wisconsin Department of Administration; Gruen Gruen + Associates.

Under the assumptions noted in Table 5, of the 2,100 households expected to be added to Waukesha from 2009 through 2020, approximately 600 households will likely be headed by a

member between the ages of 25 and 34. As previously indicated, members of Gen Y, those between 18 and 34, and which represent the prime rental market will remain in what demographers call “emerging adulthood” longer than previous generations.⁷ Gen Y members are attracted to amenity-rich urban centers, “walkability”, access to public transport, and are willing to give up unit space in exchange for amenities and common areas for social opportunities. Because Gen Y members marry and have children later than previous generations, they will be less concerned about proximity to high-quality schools, and desirous of suburban single-family housing products and more likely candidates for multi-family housing in urban Downtowns. If existing housing tenure patterns for Gen Y households remain consistent, about one-half or 300 of these additional households can be expected to occupy rental housing. **Future demand for multi-family rental housing, attributable to just the younger-age Gen Y market niche, could approximate an additional 100 to 150 units over 10 years** if the Downtown is able to capture about 30 to 50 percent of such growth (which, given the increasing desirability of the Downtown and the presence of amenities often preferred by younger-age renter households, should be attainable).

One programming and test marketing option is to ask representatives of Carroll University and Waukesha Memorial Hospital, or other large corporate employers in the vicinity of Downtown, if any would commit to reserving a number of units for their students or employees and then to scale the size and type of rental units to the preferences of these sponsors accordingly. For example, 264 student housing units were completed on the Carroll University Campus last year; and Berg Management is in the process of developing a second 231-bed complex for the University.

OWNER-OCCUPIED HOUSING

More recent for-sale developments in the Central City have been challenging to successfully accomplish. For example, a Downtown property owner which remodeled second floor space to create two for-sale condominium units has been unable to sell either of the units for the anticipated price of \$250,000. The owner indicated prices would need to be reduced to below \$200,000 in order to sell the units in the near future. One unit is currently leased on a rent-to-own basis to a County employee. The other unit remains vacant. The 116-unit Landings project experienced considerable foreclosures. Approximately 70 percent of units in the project were reportedly converted to rental units due to the inability to sell remaining units at prices necessary to recover costs. Our interviews indicate the property has recently been purchased and remaining condominium units are being marketed at very low prices, averaging approximately \$100,000 for 800 square-foot- to 1,400-square-foot units (or about \$80 to \$105 per square foot). The 55-unit Mill Reserve project, which received TIF assistance, remains partially built. The first phase of 11 units was completed in 2008; one unit has been sold to date. Interviews suggest the pricing has been too high and unit features and floor plans are not preferred by target market

⁷ The population of Generation Y—those between 18 and 34—totals about 77.4 million, already larger than the baby boomers, which number about 76.2 million, according to the Census. Young adults are marrying and having children later in life. For the first time in more than a century, more than half of those aged 25 to 34 have never been married, according to Chicago-based research firm Council on Contemporary Families. The average age of first-time home buyers is now around 34—at least six years older than it was in 1980—according to a study by the Washington, D.C.-based National Association of Home Builders.

households. The developer of the project indicated expected/asking prices approximated \$350,000 per unit originally (more than double the average value of existing housing units in the Central City). Units are now being marketed at \$225,000 to \$275,000 and multiple units have been converted to rentals.

As summarized below in Table 6, the volume of recent sales activity and average sales prices for condominium units in the Central City reflects a currently limited pool of demand.

TABLE 6			
Condominium Sales Activity (Past 12 Months) ¹			
Project Name	Year Built	Sales #	Average Sales Price \$
The Landing	2003	13	59,573
Madison House	1980	4	45,875
Horizon West	1966	1	85,000
Total		18	57,942
¹ For condominium properties located in Central City. No sales were reported for other properties in the area (such as Mill Reserve or Brook Street Loft condominiums).			
Sources: Summit Realty; MLS; Gruen Gruen + Associates.			

During the past 12 months, 18 units have been sold at an average price of approximately \$58,000. Units in The Landing condominium building have sold for an average price of just under \$60,000. Four units sold at the Madison House project (north of the Downtown on North Street) averaged approximately \$46,000.

Limited redevelopment activity has occurred throughout single family neighborhoods of the Central City. The most recent single family developments within the Central City such as Phoenix Heights (a 69-unit brownfield redevelopment completed about 10 years ago) and the 12-lot project at Dunbar Avenue and West Avenue⁸ have not induced spillover redevelopment or renovation activity to adjoining neighborhoods.

Market Niche

Demand for owner-occupied, for-sale housing within the Downtown may arise from households seeking different housing products due to lifestyle or lifecycle changes, local job and household growth, and the need to replace obsolete units within the existing housing stock. Empty-nester baby boomers and Generation Y members are likely to represent the two primary market segments likely to most influence demand for owner-occupied Downtown housing. The City of Waukesha and the County as-a-whole (from which potential households are likely to be attracted to for-sale housing) include a large middle-aged household base. As these households continue to age, shifts in housing location and product choice will present opportunity to attract an increasing share of empty-nester households (i.e. children are no longer living at home) to the Downtown and Central City. Some households, for example, may seek to trade down from large single-family homes they no longer wish to maintain or need, and who for lifestyle or social

⁸ Both projects were reportedly affordable housing developments.

reasons desire to move from existing single family neighborhoods to an urban location offering a mixture of cultural, recreational, dining and entertainment amenities in a pedestrian-centric environment.

Younger professional households – Gen Y members – can also be expected to consider a Downtown urban housing location and product. Although younger-aged households tend to be more willing to overlook the disamenities still present throughout the Central City and Downtown, they also face budget constraints that limit the ability to pay sale prices necessary to justify/support the costs of new housing development.

Characteristics of Central City Housing Stock

As described in greater detail in Appendix D, the housing stock of the Central City contains a considerable number of older housing units of modest size. Some of the housing stock is functionally obsolete or of limited quality. While most recent efforts have focused on condominium development within the core Downtown, the Central City owner-occupied housing stock is predominately comprised by detached single family units; a significant share (85%) of which were originally built prior to 1950. A similarly high proportion of two-and three-family dwelling units in the Central City are now greater than 60 years in age. Consistent with an aging inventory of housing, a disproportionate share of residential properties (not including condominiums and apartments) classified as “poor” or “fair” conditions are concentrated within the Central City. More than 20 percent of Central City residential properties are reported by the Assessor to be in “very poor, poor or fair” condition. Only six percent of the citywide housing stock falls within these categories. Single family housing units of moderate price/value also represent the bulk of the existing housing stock. According to the City of Waukesha Assessor, nearly 60 percent of single family units included an assessed value of \$150,000 to \$200,000. Less than two percent of Central City single family units are valued above \$250,000, whereas 36 percent are below \$150,000.

Despite the resurgence of the core Downtown, significant positive (or negative) neighborhood change throughout the Central City has not yet occurred. Interviews with local residential brokers suggest Central City neighborhoods circumscribing the Downtown have remained relatively stable. Values have increased moderately, but the increasingly positive perception of the core Downtown as a commercial, entertainment and social activity center has not yet become significant enough to stimulate a shift in the household make-up of adjoining residential neighborhoods or to induce major investments in remodeling and/or teardowns of existing housing units.

Estimate of Potential Demand

Based on projections of households by age within Waukesha County (from 2010 to 2030) and estimated resident turnover rates by age and housing tenure we are able to estimate the share of County-wide⁹ for-sale housing demand potentially able to be captured in Central City Waukesha. The order-of-magnitude estimates presented below in Table 7 are prefaced on the assumption

⁹ The relevant geographic market area from which households are likely to be attracted to Central City/Downtown Waukesha includes Waukesha County. This in part relates to the fact that, aside from select locations within the City of Milwaukee, very few urban housing alternatives are available elsewhere throughout the metropolitan area.

that the core Downtown improves in locational appeal and continues its resurgence and therefore can obtain higher capture rates in subsequent years of its evolution (i.e. initial housing developments reinforce and add to positive perception of Central City housing). A higher capture rate is estimated for younger Gen Y households because this market niche is more likely to overlook disamenities of the Central City area and pioneer the Downtown.

TABLE 7		
Estimate of Potential Demand for Downtown For-Sale Housing ¹		
	2010-2020	2020-2030
<i>Households Age 25 to 34:</i>		
Average number of households that may move within the County in a given year ²	506	545
Central City Waukesha Capture Rate	2 to 3%	3 to 4%
Average Annual Demand	10 to 15 units	16 to 22 units
<i>Households Age 55 to 74:</i>		
Average number of households that may move within the County in a given year ³	667	709
Downtown Waukesha Capture Rate	1 to 2%	2 to 3%
Average Annual Demand	7 to 13 units	14 to 21 units
Total Average Annual Demand	17 to 28 units	30 to 43 units
¹ Includes only demand attributable to owner-occupied households and those which possess annual incomes greater than \$40,000 (lower-income households are unlikely to be able to afford new housing product).		
² Based on annual turnover rate of five percent.		
³ Based on annual turnover rate of two percent.		
Source: Gruen Gruen + Associates		

Between 2010 and 2020, estimated average annual demand for additional for-sale housing approximates 17 to 28 units. Over a decade, this would equate to approximately 170 to 280 additional for-sale housing units demanded. **Potential demand during the 2020 to 2030 period may average 30 to 43 units per year resulting in total demand over a 10-year period of approximately 300 to 430 additional units.**

Conclusions About Serving Market Niche

Given the income characteristics of existing households described in Appendix C, and the effects of the Great Recession, price or perhaps more accurately, perceived value can be expected to be a determining factor of the purchase of for-sale units. The challenge, both from an architectural and market feasibility perspective, is to ascertain whether attractive for-sale housing products can be profitably designed and built at competitive prices (with most below \$250,000 based on the supply reconnaissance and interviews and estimates of ability of residents to pay for housing). A condominium or attached housing product type would need to be perceived as a good value for the cost and have a distinctive “sense of romance” such as a loft type with balcony, offering views of the Fox River. New housing will

need to be linked to existing and emerging activity clusters within the Central City so as to encourage spillover. Given the higher costs and risks associated with higher-density condominium product, small lot single family and row house type product may represent more market responsive feasible for-sale product options when the economy and housing market recovers from the Great Recession.¹⁰

As the number of households and household incomes increase in the core Downtown, the demand for housing in previously developed adjoining neighborhoods in the Central City may change, encouraging property renovation and upgrading and redevelopment as the neighborhoods become part of a new and frequently higher-priced housing market. In this situation, the options that can lead to profit maximization include either demolition of existing improvements and new construction or rehabilitation and modernization of existing improvements to provide contemporary space. Which of these blight removing or precluding investment paths is best depends upon the interaction between demand and the age, size, and relative obsolescence of the existing structures if the property is not vacant. **Opportunities may arise to encourage the replacement of obsolete housing stock and creation of new residential neighborhoods through planning and implementation of public-private partnerships for areas capable of being bordered or laid out near the core Downtown.**

The adaptive reuse and renovation of historic buildings to meet modern building and fire codes is often physically and financially challenging for Central City property owners. In many cases, associated improvements can raise adaptive reuse costs to the point at which it is not profitable to convert the obsolete space of historic buildings into modern residential units or commercial space. The underutilization and lack of renovation of these historic buildings can lead to a general stagnation and possible decline in the health of the Central City over time. Updated, well maintained, and occupied historic buildings support the growth, vitality and financial health of the Central City and help create a vibrant and attractive place where people want to live, work and play. **The City should explore all viable options to help support the successful adaptive reuse, renovation and upgrading of the historic buildings in the Central City.**

¹⁰ One alternative to traditional vertical condominium product could include narrow, but deep, alley-loaded single family lots. This typically permits greater densities and also would mesh well with this urban fabric of the Downtown and Central City.

ENHANCEMENT STRATEGIES AND ACTIONS

Increase the “Particles of Attraction” as a Mixed-Use Specialty Center

As indicated above, the past will not be recreated with general retailing uses that serve the entire region with basic goods of the kind found in the traditional department stores once located in the Downtown. Today’s consumers are acutely sensitive to how they spend their time. Therefore, shopping needs to be relatively hassle free and fun. The particles of consumer attraction required for the success of a specialty agglomeration developing in the Downtown can be tainted if, for example, traffic congestion or parking constraints make it a hassle, or at least seem like a hassle compared to conventional malls, to visit the destination or significant spatial or streetscape obstructions that discourage walking and browsing. Well designed and strategically located “streetscape” amenities (e.g. signage, artscape, paving, and lighting) can help encourage strolling and would help build upon the existing high quality urban aesthetic features such as the river walk, Frame Park and historic buildings.

The market reconnaissance suggests that Downtown Waukesha can continue to improve its luster by continuing to encourage an increasing selection of moderately priced chic and fun specialty shops and dining and entertainment options. The planning and implementation process should serve to **enhance the image of the Downtown as a “user-friendly” place with a unique selection and mix of tenants.** Build upon existing strengths to attract and encourage the expansion of those types of space users and activities that derive a real advantage from a Downtown location and that add to the competitive magnetism of the existing uses. Encourage similar uses such as restaurants, music and comedy clubs and other eating, drinking and entertainment establishments to locate close to one another. Discourage uses that constitute negative externalities (such as welfare, rehabilitation and other social service-related organizations) from locating or expanding in the Downtown in the future. Use signage and wayfinding systems to reduce the perceived hassle of finding parking spaces and walking to nearby destinations.

The smaller households without children living at home comprising the primary source of potential future demand for Central City housing are typically more amenable to higher densities and smaller units, and are more interested in urban-oriented recreation and entertainment attractions than are child-oriented households. Successful implementation of housing and recreational land uses will help attract the types of retail identified above back downtown to serve this more urban population. The presence of the housing and recreational uses described in the next paragraph will also differentiate the Downtown from conventional shopping malls and arterial districts.

Increase Housing and Cultural and Recreational Uses

The mixed-use aspect, including housing, (the occupants of which reinforce demand for retail and eating and drinking and entertainment establishments and which represent sources of labor and decision makers for office space businesses) is what helps to create a dynamic environment and multi-purpose visits. **Given more building space exists than commercial uses can be expected to support, encourage continued property conversions to residential lofts or live-work lofts and development of new residential products not currently available Downtown** that can capitalize on access to the dining, café and bar and specialty retail uses and Fox River amenities.

Following the lead of their older cousins, the much smaller generation X (those born between 1965 and 1976), a high proportion of Generation Y millennials have a taste for vibrant, compact, and walkable communities full of economic, social, and recreational opportunities. New residential developments appealing to these cohorts as well as baby-boomer, empty-nesters would signal a changing locational image for the Downtown, while also helping to build a population base to support commercial uses. At this point in the evolution of the Downtown, the importance of creating market rate housing in Downtown relates less to potential market demand than it does to the establishment of a desirable locational image – that it is hip or chic to live in Downtown. To attract such households, however, requires reasonable expectations of the targeted households that the Downtown will continue to evolve into the center of cultural, entertainment, and recreational activities.

The physical and financial challenges associated with the updating of older buildings to modern building codes should be addressed through municipal actions that help support the renovation of these buildings in and around the Downtown. These actions may either be programmatic, regulatory or financial in nature. Given the historic buildings are a key source of differentiating the Downtown from standard shopping areas, programs that enhance the feasibility of renovating and rehabilitating older structures with architectural merit makes sense.

Given the emergence of the Downtown as a center for arts with the presence of Almont Gallery, Rivers End Gallery, Clinton St. Gallery, Sprizzo Gallery Caffe, the Springs Gallery, Ashton Arts Gallery, and others, the City may wish **to explore encouraging and attracting additional artists to occupy vacant building space that could be converted into artist live/work space.** While we have not studied the market feasibility of such a strategy, the attraction of artists seeking a lower cost, scenic environment may facilitate the reuse of older buildings not well positioned to compete for firms in the professional, business and technological service industries. Most important, the attraction of additional cultural uses and artists would serve to continue to nurture the Downtown’s image as a location for cultural activities. This will also increase the potential for establishing additional market rate residential uses in the Downtown and attracting visitation. Another benefit of attracting additional cultural uses and artists to Downtown Waukesha is that unlike many entertainment options that some local governments are pursuing to “boost” their downtowns, by their very nature, the activities of artists tend to change and retain their freshness.

Several relatively large vacant or underutilized sites are located in or near the core Downtown. Enhancements to Downtown should further differentiate Waukesha from other offerings in the region. Enhancements to the Downtown should reflect the priorities of people looking for places where they can share experiences with others; places that offer social interaction, cultural amenities, shopping and dining, community programming and entertainment for all ages and vibrant outdoor ambiance. **Given the challenging market and real estate economic conditions for retail, office and multi-family uses, evaluate the possibility of attracting additional visitor-inducing, properly programmed cultural and recreational uses (including ice skating rink or other outdoor actions) to ramp up the image and value potential of Downtown.** By properly programmed, we mean programmed so as to induce frequent local and regional visitation and greater spillover potential.¹¹

¹¹ Examples include The UnMuseum® at the Contemporary Arts Center and the Rosenthal Uptown Arts project in Cincinnati, Ohio, which centers around theater, music, dance, the visual arts and art

Concentrate Future Redevelopment Efforts on Underutilized Sites or Properties In or Close Enough to be Tightly Linked to Core Downtown

Direct future redevelopment efforts to facilitating creative projects that create new and desirable places able to charge more than currently-prevailing rates, and most important, spill-over their value enhancing benefits to adjoining locations. Redevelopment and revitalization programs should concentrate rather than spread out the particles of magnetism that attract users and visitors to the Downtown and build strength upon strength. Locate the next exciting project or projects sufficiently close to the core part of the Downtown to encourage the maintenance, adaptive reuse, and enhancement of existing structures and redevelopment of the sites or properties in between or near the core Downtown.

Nurture Existing and Incubate Retail and Office Businesses

Given the still fragile nature of the Downtown agglomeration as indicated by low rents and store and restaurant turnover, focus on **nurturing and retaining existing Downtown businesses and incubating new businesses that benefit from a lower-cost location Downtown than available in newer retail and commercial space built outside of the Central City.**

Hold a Contest to Attract Unique and Experiential Concepts to the Downtown

Hold and publicize an annual contest to attract independent, unique retail and other experiential concepts to the Downtown. Under this approach, aspiring retailers complete applications and business plans, which are reviewed by a panel of experts, the winners of which are given attractive terms for short-term leases or “free rent” for a year and reduced or abated municipal fees. For example, recent “winners” of free rent for a year in the “Mill Avenue Retail Contest” in Downtown Tempe, Arizona include Poppa Maize, an independently-owned store that sells 30 homemade flavors of gourmet popcorn, and Counter Culture Café, an independent coffee shop featuring food made with local produce, live music and selling local art.¹² Madison Marquette, a retail developer, created an incubator program called Retail*Star, which provides opportunities for entrepreneurs to showcase their retail concepts.¹³ A winner for a contest for prospective tenants of Bayfair Center in San Leandro, California is a tea lounge/education seminar service called TeachBar, which was provided a 1,300-square-foot space at the center with free rent, additional investment capital and a build-out allowance.¹⁴

Continue to Focus on Special Events and Programming

The interviews indicate special events and programs have contributed to building brand

“awareness” for inner-city children. An example of both an artist-sustaining and visitor-attracting arts center is the Torpedo Factory Art Center (www.torpedofactory.org) in Alexandria, Virginia (converted from a former factory in a downtown to include kitchen and other facilities for events, dancing and music).

¹² <http://www.azcentral.com/community/tempe/articles/2009/09/10/20090910millwinners-ON.html#ixzz0o7GWvdq0>. This web link to an Arizona Republic article describes the Tempe contest.

¹³ <http://bayfair.mallfinder.com/go/Poolb.cfm?MallID=827&FPURLID=2129966060>. This web link includes a description of the process, and provides the application used in the Retail*Star program.

¹⁴ <http://www.nbcbayarea.com/news/local-beat/Mall-Rats-New-Role-Model-85986272.html> This web link describes the winning entry and indicates the publicity garnered.

recognition and inducing visitation to the Downtown and a sense of community. While the arts and music-centered events for which the Downtown has become known should continue to be the staple of future event programming, additional social and recreational events should be explored. Examples of additional types of events that can differentiate Downtown from standard commercial corridors and shopping centers, and create community cohesion while generating spillover to Downtown merchants and eating and drinking establishments, include events that include a volunteer or charitable component such as a bike-a-thon or “dog parade” that raises money for local charities or schools (while generating publicity and community support for the Downtown).

Host events in the Downtown core that will attract the more affluent of the area and build off the base of businesses already geared to women. One such event could be a “Women’s Symposium”. The Symposium could consist of women’s health topics presented by health care professionals from the Waukesha Memorial Hospital and Carroll University.

Improve Way-finding Signage

While signage improvements were made several years ago, additional improvements in way-finding for both occupants of Downtown space and parking options are warranted. **The Downtown would benefit from a more exciting and more informative way-finding system.** This could include iconic artwork/sculptures placed at each corner of the Five Points intersection and “Downtown Waukesha” entrance signs that capture people’s attention as they approach the gateways to the Downtown.¹⁵ Such signage would be particularly beneficial at the north gateway to the Downtown along North Street. Improved directional and “tenant directory”-type signage for pedestrians would also benefit Downtown. Our interviews suggest, for example, that the locations of public off-street parking facilities could be more clearly identified.

Improve Public Realm Maintenance

The best place-based brand development requires many acts of small execution and attention to details that visitors and space users will appreciate and notice if the details are “off message”. Improving basic public realm maintenance is a key detail if the Downtown brand promise is to be kept. Avoid, however, the temptation of installing expensive trash cans, distinctive paving stones and related streetscape improvements and furniture as they are costly to amortize and

¹⁵ The City of Scottsdale is noted as having public art, infrastructure and signage that helps brand Scottsdale as a place.



maintain and distract from store fronts. Focus on keeping sidewalks clean. **In addition, it is important at this stage of the Downtown’s evolution to not significantly raise costs as low rents are needed to incubate the Downtown with new and retain existing entrepreneurs.**

APPENDIX A

ACKNOWLEDGEMENTS

While the authors take full responsibility for the content and conclusions of the study, the report could not have been completed without the cooperation and insights of many others. We would like to thank the many Downtown business, property owners and real estate professionals who took the time to respond to our questions.

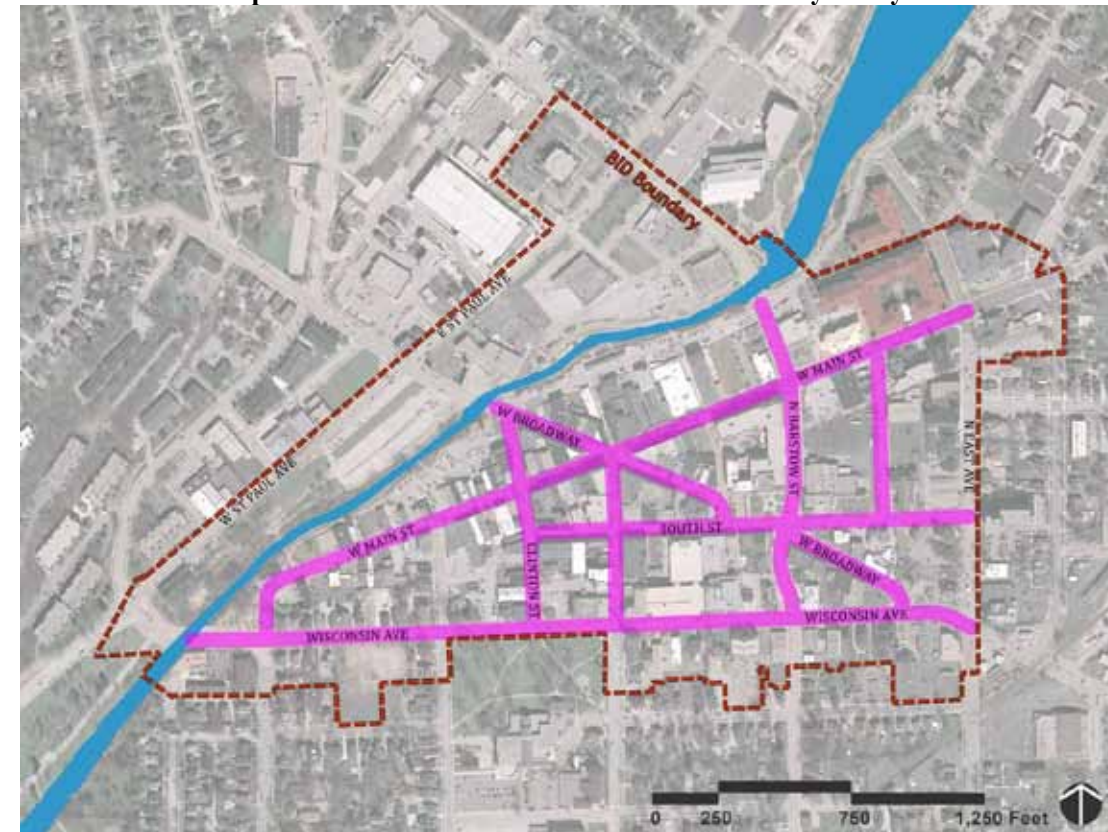
Allo! Chocolat
Almont Gallery
Bangles & Bags
Cuddles
Horse Emporium
Martha & Merrell's Books
Serendipity Scrapbooks
Three Sisters

Victoria Hekkers, West End Development Group
Steve Kassens, Harmony Homes/Styza Properties
Alan and Bill Huelsman, Huelsman\Berg Management
Tom Neujahr, Urban Land Interests
Dave Smart, Smart Realty
Peter Glaser, CB Richard Ellis
Diane McGeen, Summit Realty
Beverly Peterson, Waukesha Civic Theatre
Mary Baer, Waukesha County Business Alliance

APPENDIX B

DOWNTOWN INVENTORY TRENDS

Map B-1: Downtown Streets Included in Inventory Analysis



Type	<i>West Main St.</i>			<i>Other Downtown Streets</i>		
	1980 %	2010 %	Shift %	1980 %	2010 %	Shift %
Eating and Drinking	14	18	+4	3	7	+4
Retail	42	34	-8	19	11	-8
Art Galleries	0	7	+7	0	0	0
Professional Services	15	11	-4	24	33	+9
Personal Services	7	17	+10	9	17	+8
Medical Services	5	1	-4	22	5	-17
Other	17	12	-5	23	28	+5
Total	100	100		100	100	

Sources: Polk Directories; Gruen Gruen + Associates.

	1980 #	1990 #	2000 #	2010 #
Eating and drinking places	13	13	6	17
Apparel and accessory stores	7	8	3	4
Household furnishing stores ¹	7	4	6	4
Food/Drug and Beverage stores	3	3	2	4
Arts, craft and hobby stores ²	11	11	5	11
Other / miscellaneous retailers	12	14	9	9
Art galleries and dealers	0	1	1	6
Beauty salons and barbers	0	1	1	5
Other personal services ³	6	8	6	7
Professional / business services ⁴	14	13	16	10
Medical	5	6	1	1
Instruction / training and related ⁵	1	1	1	4
Hotels	1	1	0	1
Other ⁶	8	13	6	6
Subtotal	88	97	63	89
Cultural and entertainment	2	3	1	3
Civic and institutional	3	3	2	0
Social services and related	2	2	1	1
Subtotal	7	8	4	4
TOTAL	95	105	67	93

Notes:
¹ Includes household décor and appliance stores.
² Includes novelty and gift shops, book and music stores, hobby/collectable stores, arts and craft-type stores and antique shops.
³ Tattoo and piercing parlors, repair shops, dry cleaners, travel agencies, etc.
⁴ Generally includes banks, insurance agents, real estate brokers, appraisers, consultants, attorneys, and other business service firms.
⁵ Dance and ballet academies, karate studios, pre-schools, day care services, etc.
⁶ Unclassified establishments and other non-retail businesses (industrial parts/equipment suppliers, sign makers, etc).

Sources: Polk Directories; Gruen Gruen + Associates.

TABLE B-3

Other Downtown Streets, Establishments by Type: 1980-2010

	1980 #	1990 #	2000 #	2010 #
Eating and drinking places	7	7	6	12
Apparel and accessory stores	9	3	0	0
Household furnishing stores ¹	10	4	1	3
Food/Drug and Beverage stores	5	4	2	7
Arts, craft and hobby stores ²	8	8	6	4
Other / miscellaneous retailers	15	22	4	5
Art galleries and dealers	0	0	1	0
Beauty salons and barbers	6	6	8	6
Other personal services ³	11	12	7	18
Professional / business services ⁴	61	50	39	58
Medical	56	26	7	9
Instruction / training and related ⁵	6	8	3	6
Hotels	0	0	0	0
Other ⁶	32	16	16	22
Subtotal	226	166	100	150
Cultural and entertainment	2	5	1	0
Civic and institutional	21	18	20	15
Social services and related	9	12	7	12
Subtotal	32	35	28	27
TOTAL	258	201	128	177
Notes:				
¹ Includes household décor and appliance stores.				
² Includes novelty and gift shops, book and music stores, hobby/collectable stores, arts and craft-type stores and antique shops.				
³ Tattoo and piercing parlors, repair shops, dry cleaners, travel agencies, etc.				
⁴ Generally includes banks, insurance agents, real estate brokers, appraisers, consultants, attorneys, and other business service firms.				
⁵ Dance and ballet academies, karate studios, pre-schools, day care services, etc.				
⁶ Unclassified establishments and other non-retail businesses (industrial parts/equipment suppliers, sign makers, etc).				
Sources: Polk Directories; Gruen Gruen + Associates.				

APPENDIX C

POTENTIAL FUTURE DEMAND FOR FOR-SALE HOUSING
IN CENTRAL CITY WAUKESHA GIVEN DEMOGRAPHIC,
SOCIOECONOMIC, AND SUPPLY CHARACTERISTICS

INTRODUCTION

This appendix presents information and perspective on the potential future demand for housing in Central City Waukesha. GG+A reviewed both historical and future population data, jobs-housing ratios, projected employment growth, the income and age make-up of the household base, and considered the comparative advantages and disadvantages of the Central City as a residential location.

POPULATION, HOUSEHOLD AND EMPLOYMENT GROWTH

The following sections present an analysis of population, household, and employment trends for the City and County of Waukesha.

Table C-1 below summarizes historical and projected future population and household growth within the City of Waukesha.

TABLE C-1

City of Waukesha Historical and Projected Future Population and Household Growth						
	1990 Census #	2000 Census #	2009 Estimate #	2020 Projection ¹ #	2030 Projection ¹ #	Projected Growth 2009-2030 # (%)
Population	56,958	64,825	68,384	74,365	78,172	9,788 (13)
Households	21,118	25,663	28,792	30,884	32,781	3,989 (13)
¹ Projections were prepared in 2008.						
Sources: U.S. Census Bureau; Wisconsin Department of Administration; Gruen Gruen + Associates.						

The City of Waukesha population base grew steadily at an average annual rate of approximately one percent over the past two decades, increasing by about 20 percent or 11,000 persons between 1990 and 2009. Household formation outpaced population growth as the household base expanded by approximately 36 percent over the past two decades with the addition of 7,770 households to the City between 1990 and 2009. According to the most recent American Community Survey, Waukesha currently contains an estimated 68,400 residents and 28,800 households for an average household size of less than 2.4 persons. The decline in average household size is consistent with national trends and indicative of an aging household base.

According to projections prepared in 2008 by the Wisconsin Department of Administration, the City of Waukesha population is expected to grow slowly to approximately 78,000 by 2030, representing an increase of approximately 10,000 or 13 percent over the next two decades. The

household base is projected to grow slowly from just under 29,000 currently to approximately 32,800 by 2030 at an average annual rate of approximately 0.6 percent.

Employment Growth

Table C-2 summarizes the estimated employment base of the City and County of Waukesha.

TABLE C-2				
Historical Job Growth Within City of Waukesha and County of Waukesha				
	2002 # Jobs	2005 # Jobs	2008 # Jobs	Change # Jobs
Private Sector – City	38,500	42,900	46,200	7,700
Public Sector – City	4,800	4,900	4,800	0
Total City	43,300	47,800	51,000	7,700
Private Sector – County	208,900	220,100	225,500	16,600
Public Sector – County	16,600	16,700	16,700	100
Total County	225,600	236,800	242,200	16,700
City Share of County	19.2%	20.2%	21.1%	
Sources: U.S. Census Bureau, Center for Economic Studies, <i>OnTheMap</i> ; Gruen Gruen + Associates.				

The employment base of the City has increased over time, growing at a slightly faster rate than household growth since 2000. Between 2002 and 2008, before the affects of the Great Recession became heavily felt, the employment base is reported to have expanded by approximately 7,700 jobs or 18 percent. The U.S. Census Bureau’s OnTheMap program estimates that Waukesha contained an employment base of approximately 51,000 jobs as of 2008. In 2002, the City contained approximately 19.2 percent of County jobs. In 2008, the share of County employment comprised by the City of Waukesha increased to 21.1 percent indicating the employment base at the local level grew more rapidly than the broader region. Over the past several years, the jobs-to-household ratio within Waukesha approximated 1.7 to 1.8.¹⁶ This suggests a relative balance between jobs and housing.¹⁷ While the jobs-housing ratio is toward the high side of a reasonable balance, it is not skewed so high that the number of jobs relative to the number of households puts significant upward pressure on housing prices.¹⁸

The Southeastern Wisconsin Regional Planning Commission prepares employment forecasts for

¹⁶ These are approximations, given employment and household estimates are not available at the City level for exactly the same years.

¹⁷ Relative to other nearby suburban employment centers, Waukesha imports a smaller share of its labor. In 2008, approximately 20 percent of workers employed within Waukesha also lived in the community. Only seven percent of workers employed in Brookfield, for example, also lived in Brookfield. About 10 percent of those employed in New Berlin lived in New Berlin. The largest source of non-resident labor for all three communities was the City of Milwaukee.

¹⁸ See, for example, “Jobs-Housing Balances and Regional Mobility,” Robert Cervero, Institute of Urban and Regional Development, University of California at Berkeley, *APA Journal*, Spring 1989, pp 136-150.

the Milwaukee region and by county. Employment forecasts at the city level are not available. For Waukesha County, SEWRPC intermediate forecasts indicate annual employment growth of 0.7 percent between 2000 and 2035. The low employment forecast for the County approximates 0.5 percent average annual growth. Assuming the City is able to maintain its current proportion of County jobs (20 percent), the local employment base will increase by 4,300 jobs (under the “low” projection) to 7,700 jobs (under the “intermediate” projection). As summarized in Table C3, applying a jobs-to-household ratio of 1.7 to 1.8 indicates that potential future household growth, under the intermediate projected employment growth rate, are consistent with DOA forecasts presented above in Table C1; in which approximately 4,000 households are expected to be added to Waukesha over the next two decades.

TABLE C-3		
Future Household Growth Within Waukesha Based on Range of Job Growth Rates and Jobs-to-Household Ratio Assumptions: 2008-2035		
	Low Job Growth ¹ # Added Households	Intermediate Job Growth ¹ # Added Households
1.7 Jobs-to-Household Ratio	3,700	5,700
1.8 Jobs-to-Household Ratio	1,900	3,800
¹ Based on projected low and intermediate employment growth rates for the County of Waukesha from 2000 to 2035, assuming the City comprises a fixed 20 percent of the County’s employment base.		
Sources: SEWRPC, <i>The Economy of Southeast Wisconsin</i> ; Gruen Gruen + Associates.		

If Waukesha maintains a stable share of the County’s employment base, and it expands at a relatively low rate of growth (0.5 percent annually), approximately 1,900 to 3,700 households could be expected to be added to Waukesha between 2008 and 2035 assuming the jobs-to-household ratio does not change substantially. At a higher, more optimistic rate of future job growth, the household base of Waukesha would expand by approximately 3,800 to 5,700 households given current the jobs-to-household relationship.

The households projections for the City of Waukesha prepared by the DOA and those derived by GG+A, as presented above in Table C3, both indicate that future household growth in Waukesha over the next 20 to 30 years is unlikely to be comparable to historical levels in which the household base expanded at an average annual growth rate of 1.6 percent.

Household Income Distribution

The production of new housing units or absorption of housing units will be stimulated if a sufficient number of households are able to pay a price that will enable builders to supply new units at a profit. Table C-4 summarizes the estimated distribution of Waukesha households by annual household income for 2009. Approximately 40 percent of Waukesha households earn between \$35,000 and \$75,000 per year and the average household income approximates \$65,000. Table C4 also presents estimates of the prices of owner-occupied housing affordable to various household income groups based on assumptions about mortgage costs and percentage of income spent on housing.

Household Income	Housing Price ¹	Households #	Households %
Below \$35,000	Below \$135,000	8,602	29.9
\$35,000 to \$49,999	\$135,000 to \$190,000	4,729	16.4
\$50,000 to \$59,999	\$190,000 to \$230,000	2,951	10.2
\$60,000 to \$74,999	\$230,000 to \$290,000	3,334	11.6
\$75,000 to \$99,999	\$290,000 to \$385,000	4,108	14.3
\$100,000 +	\$385,000 +	5,068	17.6
Total		28,792	100.0

¹ Housing price calculations assume households can pay 20 percent of their annual income towards mortgage principal and interest; a down payment equivalent to 20 percent of the unit price; and a 30-year fixed mortgage at an interest rate of five percent. Figures are rounded.

Sources: U.S. Census Bureau, *2009 American Community Survey*; Gruen Gruen + Associates.

The proportion of households in all income categories under \$50,000 is estimated to approximate 46 percent of all Waukesha households. The proportion of households with incomes between \$50,000 and \$75,000 approximates 22 percent. Households with incomes between \$75,000 and \$100,000 comprise 14 percent of Waukesha households, while those with annual incomes greater than \$100,000 represent approximately 18 percent of all households.

The relationship between household income and the value of housing which households can afford is estimated by considering the typical proportion of income expended on housing. The standard approach used by the United States Department of Housing and Urban Development (“HUD”) assumes that households spend up to 30 percent of their income on total housing costs, including mortgage payments, taxes, insurance, and utilities. The 30-percent-of-income “standard” is used in a variety of national funding and down payment assistance formulas

Given the majority of households – 68 percent – include annual incomes of less than \$75,000, most Waukesha households are unlikely to afford a housing unit priced above \$300,000. Nearly one-half of all Waukesha households, under the assumptions outlined above in Table C4, would be unable to afford a for-sale housing unit priced above \$200,000. Approximately one-third of Waukesha households could afford housing priced at or above \$300,000. The income characteristics of the existing household base explain the relatively high proportion of rental housing.¹⁹

Given the income characteristics of existing households and the effects of the Great Recession, price or perhaps more accurately, perceived value can be expected to be a determining factor of the purchase of for-sale units. The challenge, both from an architectural and market feasibility

¹⁹ According to the 2009 American Community Survey, approximately 43 percent of Waukesha households occupied rental housing units. Approximately 80 percent of households with annual incomes below \$35,000 rented housing.

perspective, is to ascertain whether attractive for-sale housing products can be profitably designed and built at competitive prices (with most below \$250,000 based on the supply reconnaissance and interviews), while still providing a product that will convince households to move. Approximately 26 percent of Waukesha households can afford to buy new houses priced below \$230,000 (those with household incomes between \$35,000 and \$60,000; households with incomes below \$35,000 are likely to rent or buy existing homes). In addition, potential movers will need to be assured the evolution of the Central City is likely to help produce housing value appreciation.

Household Make-up

Empty-nester, baby boomers and Generation Y members are likely to represent the two primary market segments likely to most influence demand for Downtown housing. As Table C-5 shows, in 2009, the 25 to 34 householder age group comprised approximately 18 percent of all Waukesha households. The 55 to 64 and 65 to 74 householder age groups (i.e. baby boomer, empty nesters) represented about 26 percent of all households.

Age of Householder	City of Waukesha		
	2000 %	2009 %	Shift %
15 to 24 years	6.4	9.4	+3.0
25 to 34 years	22.3	17.7	-4.6
35 to 44 years	23.1	18.4	-4.7
45 to 54 years	19.5	19.5	0.0
55 to 64 years	11.2	15.9	+4.7
65 to 74 years	8.2	9.7	+1.5
75 years and over	9.3	9.5	+0.2
Total	100.0	100.0	---

Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Approximately 65 percent of Waukesha households are currently headed by a member under the age of 55. The large share of middle-aged households in 2009 (nearly 40 percent of Waukesha households were between the ages of 35 to 54) are less likely than the younger- and older-age households to comprise sources of demand for Central City housing.

ESTIMATES OF POTENTIAL DEMAND FOR CENTRAL CITY HOUSING

Demand for housing in the Central City is likely to arise from several sources, including:

1. Demand for housing from new households attracted due to employment growth;
2. The need to replace obsolete housing stock; and
3. Demand from some households seeking different housing products due to lifestyle or lifecycle changes. For example, some older, empty-nester households (i.e., children have moved out of the household) will seek to trade down from large single-family homes they no longer wish to maintain or need, and who for lifestyle or social reasons desire to move from existing single family neighborhoods to an urban location offering a mixture of cultural, recreational, dining and entertainment amenities in a pedestrian-centric environment.

Based on household projections available for Waukesha County, review of Census data, and our interviews, below we present order-of-magnitude estimates of future demand for Downtown for-sale housing.

**Potential Demand Attributable to Younger
Gen Y and Baby Boomer, Empty Nester Households**

Wisconsin Department of Administration projections of households by age for Waukesha County, shown below on Table C-6, indicate the household base is expected to shift considerably upwards to older-age (65+ years) households between 2010 and 2030 as the current 45 to 64 years cohort ages. The two primary household age groups most likely to be attracted to a Downtown urban housing product type, those aged 25 to 34 and aged 55 to 64, are expected to increase as a relative share of the broader household base between 2010 and 2020 and then decline in proportion beyond 2020. The third age cohort potentially attracted to Downtown housing product, although likely to represent a smaller source of demand, including households aged 65 to 74 is expected to experience consistent positive growth at the County-level.

Age of Householder	2010 #	2020 #	2030 #	Average Annual Growth Rate %
15 to 24	4,466	4,367	4,493	0.0
25 to 34	19,923	24,099	23,319	0.8
35 to 44	27,087	27,757	32,512	0.9
45 to 54	36,442	29,102	29,719	-1.0
55 to 64	28,563	33,564	26,709	-0.3
65 to 74	17,377	25,580	30,116	2.8
75 and older	16,944	21,051	29,904	2.9
Total	150,802	165,520	176,772	0.8

Sources: Wisconsin Department of Administration, 2008 State and County Household Projections; Gruen Gruen + Associates.

The overall County household base is projected to grow at an average annual rate of approximately 0.8 percent. Approximately 26,000 households are expected to be added between 2010 and 2030. Nearly all of this net positive household growth will be concentrated among older empty-nester or senior households over the age of 64. As suggested in the projections summarized above, the window of opportunity to attract owner-occupied households to the Central City is likely to be largest between 2010 and 2020 when, at the County level, the number of households between the ages of 25 to 34 and 55 to 74 is expected to increase by approximately 17,400 or 26 percent. The number of households in the 25-34 and 55-64 age brackets is expected to decline between 2020 and 2030.

Based on most recent American Community Survey data for Waukesha County, Table C-7 below expands upon the DOA projections of households by age to reflect the housing tenure and income characteristics indicative of demand for new for-sale housing product. We account for potential growth likely to be associated with households whose incomes would not permit them to purchase new housing and those (given characteristics of the existing household base) that

may rent housing.

	2010 #	2020 #	2030 #	Change 2010-2020 #	Change 2020-2030 #
<u>Age 25 to 34</u> Owner-Occupied With Annual Income Greater than \$40,000	9,165	11,086	10,727	1,921	-359
<u>Age 55 to 64</u> Owner-Occupied With Annual Income Greater than \$40,000	21,994	25,844	20,566	3,851	-5,278
<u>Age 65 to 74</u> Owner-Occupied With Annual Income Greater than \$40,000	7,646	11,255	13,251	3,609	1,996
TOTAL	38,805	48,185	44,544	9,381	-3,641

¹ Based on most recent American Community Survey data, projections have been reduced to reflect the proportion of households in each age cohort that possess annual incomes greater than \$40,000 and own housing.
Sources: Wisconsin Department of Administration, *2008 State and County Household Projections*; U.S. Census Bureau; Gruen Gruen + Associates.

The number of owner-occupied households in the 25 to 34 age group, with annual incomes greater than \$40,000, is estimated to increase by approximately 1,921 between 2010 and 2020 and decrease by approximately 360 in the subsequent decade. The number of households between the ages of 55 and 64 and 65 to 74 exhibiting similar income and tenure characteristics is estimated to increase by approximately 7,500 or 25 percent between 2010 and 2020.

To estimate the proportion of households likely to move in a given year, we reviewed resident turnover data by age for Waukesha County. As presented below in Table C-8, younger-age households move far more frequently than do older-age households.

	Ages 25 to 34 %	Ages 55 to 74 %	Owner- Occupied %
Did Not Move in Past Year	72.9	96.4	95.4
Moved in Past Year	27.1	3.6	4.6
Moved Within County	14.9	2.0	2.9
Moved Outside County	12.2	1.6	1.7
TOTAL	100.0	100.0	100.0

Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Approximately 27 percent of residents between the ages of 25 and 34 are estimated to move in any given year. Just under 15 percent move within the County. Only 3.6 percent of County residents aged 55 to 74 are estimated to move in a given year; again, most that do move remain within the County. Note that turnover rates for owner-occupied households (irrespective of age) indicates about three percent move within the County in a given year.

By combining the projections of households by age within the County, and the resident turnover rates summarized above, we are able to estimate the share of County-wide housing demand potentially able to be captured in Central City Waukesha given assumptions about obtainable capture rates. Table C-9 below presents an order-of-magnitude estimate of the demand for Central City housing attributable to the growth and turnover of these households between 2010 and 2030.

	2010-2020	2020-2030
<i>Households Age 25 to 34:</i> Average number of households that may move within the County in a given year ¹	506	545
Central City Waukesha Capture Rate	2 to 3%	3 to 4%
Average Annual Demand	10 to 15 units	16 to 22 units
<i>Households Age 55 to 74:</i> Average number of households that may move within the County in a given year ²	667	709
Downtown Waukesha Capture Rate	1 to 2%	2 to 3%
Average Annual Demand	7 to 13 units	14 to 21 units
Total Average Annual Demand	17 to 28 units	30 to 43 units
¹ Based on annual turnover rate of five percent.		
² Based on annual turnover rate of two percent.		
Source: Gruen Gruen + Associates		

The estimates of turnover and capture rates by household age group results in an estimate of annual demand from 2010 to 2020 of between 17 to 28 units. This translates to an estimate of 170 to 280 units over the 10-year period. Annual demand for for-sale housing from 2020 to 2030 is estimated at 30 to 43 units or a total of 300 to 430 units over 10 years. Prefaced on an assumption that the Central City improves in locational appeal and continues its resurgence and therefore can obtain higher capture rates in subsequent years of its evolution (i.e. initial housing developments reinforce and add to positive perception of Central City housing). A higher capture rate is estimated for younger Gen Y households because this age group is more likely to overlook disamenities of the Central City area and pioneer the location.

APPENDIX D

CHARACTERISTICS AND VALUE TRENDS IN CENTRAL CITY NEIGHBORHOODS

AGE, CONDITION AND VALUE OF EXISTING HOUSING STOCK

More than 85 percent of detached single family housing units within the Central City were built prior to 1950. A similarly high proportion of two-and-three-family dwelling units are greater than 60 years in age. According to assessment data, less than five percent of units (excluding condominiums and apartments) were built in the past two decades. Table D-1 summarizes the distribution of single and multi family units by year built.

Year Built	Single Family %	Multi Family ¹ %	Total %
Pre-1930	75.9	82.2	77.5
1930 – 1949	9.1	3.4	7.7
1950 – 1969	8.2	9.7	8.4
1970 – 1989	1.2	4.0	1.9
1990 – 2009	5.6	0.7	4.5
Total	100.0	100.0	100.0
¹ Includes two- and three-family housing units classified as residential by City Assessor.			
Sources: City of Waukesha Assessor; Gruen Gruen + Associates.			

Consistent with an aging inventory of housing, as summarized in Table D-2, a disproportionate share of residential units classified as “poor” or “fair” conditions are concentrated within the Central City. More than 20 percent of residential properties within the Central City are reported by the Assessor to be in “very poor, poor or fair” condition. Only six percent of the citywide housing stock falls within these categories.

Condition ¹	Central City %	City of Waukesha %
Very Poor / Poor	1.5	0.3
Fair	19.5	5.7
Average	68.2	83.4
Good / Very Good	10.7	10.6
Total	100.0	100.0
¹ As categorized by the City Assessor.		
Sources: City of Waukesha Assessor; Gruen Gruen + Associates.		

The existing housing stock in the Central City, in addition to its aging and in some instances deteriorating condition, is also characterized by its relative affordability as shown in Table D-3 more than a third of existing single family units are valued at less than \$150,000. The majority

of single family home market values, or 58 percent, are between \$150,000 and \$200,000. Very few existing single family homes are valued at more than \$250,000.

	#	%
Below \$100,000	35	2.2
\$100,000 - \$149,999	549	34.0
\$150,000 - \$199,999	930	57.7
\$200,000 - \$249,000	80	5.0
\$250,000 +	19	1.2
Average Value	\$158,100	

Sources: City of Waukesha Assessor; Gruen Gruen + Associates.

DEFINING RESIDENTIAL SUBAREAS OF CENTRAL CITY

Housing submarkets are defined as geographic areas or boundaries in which properties of the same age, physical quality, and characteristics tend to rent or sell for about the same price at any given time. Typically, the demand for a single geographic area is relatively homogeneous so that if market prices per square foot of similar housing products tend to be comparable, the geographic area comprises a single housing market or submarket. Two adjoining areas, however, may be in differing housing markets because they serve differing levels or types of demands for housing. But, non-contiguous geographic areas may possess sufficient similarities that they comprise part of the same housing market or submarket.

To identify whether the Central City area includes distinct housing submarkets in which the make-up of housing inventory is significantly different in terms of its physical quality or value, and therefore type of households attracted, housing characteristics of eight different geographic areas delineated by major streets and other physical barriers (e.g. Fox River) were evaluated. Map D-1 below illustrates the subareas.

Map D-1: Residential Subareas

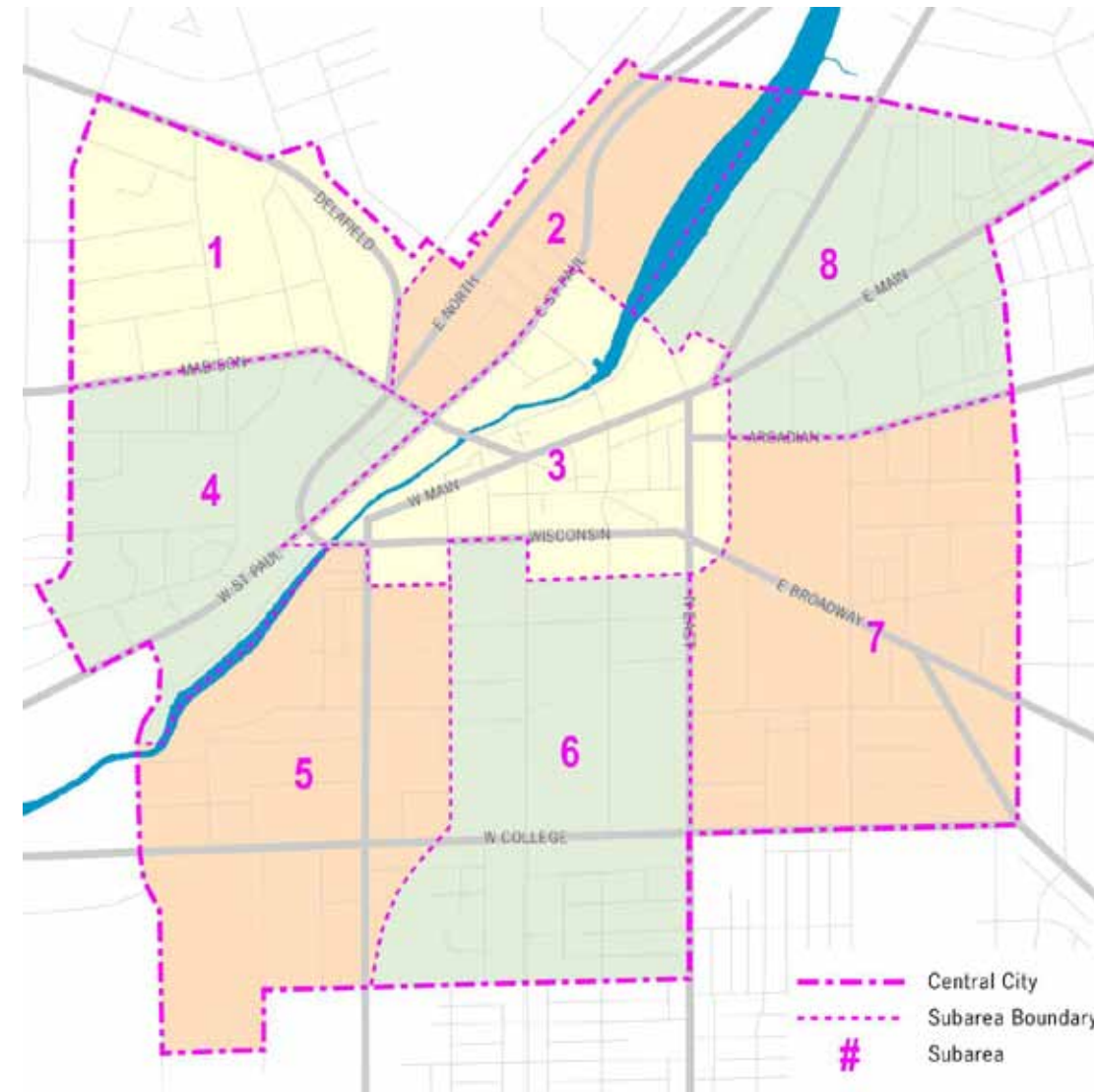


Table D-4 below summarizes average lot size, unit size, years built, condition, and market values for detached single family housing units within the previously identified subareas of the Central City. Our interviews and analysis of parcel-level assessment data suggests a relatively uniform housing stock exists within the Central City with respect to age, size, value and condition of single family housing units.

TABLE D-4

Characteristics of Central City Single Family Housing Stock by Subarea: 2010

	Average Lot Size # Acres	Average Unit Size # Square Feet	Average Year Built	Average Condition ¹	Average Market Value \$	Average Market Value \$ Per Square Foot
Subarea 1	0.20	1,274	1933	4.00	161,000	126
Subarea 2	0.14	1,240	1911	3.68	127,300	103
Subarea 3	0.13	1,806	1906	3.73	151,400	84
Subarea 4	0.16	1,273	1927	3.81	151,500	119
Subarea 5	0.18	1,370	1914	3.92	154,400	113
Subarea 6	0.19	1,626	1919	3.97	170,800	106
Subarea 7	0.19	1,703	1917	4.03	177,600	104
Subarea 8	0.16	1,308	1940	3.77	150,100	115
Total	0.18	1,417	1923	3.91	158,100	112

¹ The Assessor assigns condition values ranging from one to six (1 = very poor, 6 = excellent). Accordingly, the higher the ranking the better overall condition of the existing housing stock.

Sources: City of Waukesha Assessor; Gruen Gruen + Associates.

The average Central City single family housing unit contains about 1,400 square feet of living space on 0.18 acres and was built in 1923. The average market value (as determined by the City Assessor) approximated \$158,000 in 2010 or about \$112-per-square-foot.

Subareas 1 and 4, which are generally located northwest of the Fox River and North Avenue (i.e. “on the hill”), include single family homes with the highest per-square-foot values of \$126 and \$119 respectively. Single family units in these neighborhoods were on average built in 1930 and are modest in size (with an average living area approximating 1,275 square feet). On the whole, both our interviews and review of data indicate the single family stock is relatively well-maintained. One real estate broker indicated these neighborhoods to be the most desirable within the Central City, typically obtaining a price premium of 10 to 20 percent above other comparable size and type of units elsewhere in the Central City.

Subarea 2 (including single family units primarily located along East North Avenue) contains a somewhat smaller and older stock of lesser quality. The average home value in 2010 was \$127,300 or \$103-per-square-foot; about 20 percent below average values of similarly-sized units in adjacent neighborhoods across Delafield Avenue in Subarea 1. Subarea 3 covering the core Downtown area includes the largest and oldest units with lowest per square foot values. According to the Assessor, the average conditions of single family units is “fair to average” with an average rating of 3.7. Average lot sizes are also noticeably smaller at only 0.13 acres.

Subarea 5 covering the southwest portion of the Central City too includes single family units reported to be – on the whole – in fairly good condition with comparatively higher values than

some adjoining locations. The average single family unit in Subarea 5 includes about 1,400 square feet of living space on 0.18 acres and was built in 1914. In 2010, the average value was estimated at just over \$150,000 or about \$115-per-square-foot. According to our interviews and review of secondary data, Subareas 6 and 7 of the Central City contain a very comparable housing stock. Most units were built in the early 1900’s but remain in relatively stable condition. Average single family unit sizes are considerably larger, with the highest average absolute values of over \$170,000.

Subarea 8 (located northeast of the core Downtown north of Arcadian and south of the Fox River) contains on average the newest single family units averaging approximately 1,300 square feet in size with an average value estimated at \$150,000 (or about \$115-per-square-foot). Excluding units built in the early 2000’s (as part of the Phoenix Heights redevelopment), the condition and value of other existing units within Subarea 8 is noticeably poorer and lower; 35 percent of units are considered to be in very poor, poor or fair condition and the average 2010 value approximated only \$130,000 or about \$104-per-square-foot.

CHANGE IN CENTRAL CITY HOUSING VALUES BY SUBAREA

Table D-5 shows the average sale price in 1999/2000 and 2009/2010 and the percentage change between these two periods for each subarea. On an average total price and per square foot basis, the relative pricing differences between most of the subareas has remained similar over the past decade for most of the Central City.

TABLE D-5

Comparison of Absolute and Per-Square-Foot Sales Prices for Single Family Housing Units Within Subareas of Central City¹

	Subarea 1	Subareas 2 & 3 ²	Subarea 4	Subarea 5	Subarea 6	Subarea 7	Subarea 8
1999/2000 Average Sales Price	\$109,811	\$65,000	\$96,833	\$117,300	\$110,620	\$132,136	\$120,761
2009/2010 Average Sales Price	\$163,360	\$98,000	\$205,680	\$151,733	\$145,833	\$192,379	\$176,055
Change in Absolute Sales Price	49%	51%	112%	29%	32%	46%	46%
Average Annual Rate of Appreciation	4.1%	4.2%	7.8%	2.6%	2.8%	3.8%	3.8%
1999/2000 Average Sales Price Per Square Foot	\$98	\$54	\$61	\$79	\$78	\$83	\$105
2009/2010 Average Sales Price Per Square Foot	\$116	\$89	\$138	\$116	\$111	\$112	\$144
Change in Sales Price Per Square Foot	18%	65%	126%	47%	42%	35%	37%

¹ Prices are not adjusted for inflation.
² Because of the limited number of sales and inventory in Subareas 2 and 3, they have been aggregated together.

Sources: City of Waukesha Assessor; Gruen Gruen + Associates.

**Identification of Market-Based Strategic Action
Plan for Enhancement of Central City Waukesha**

Housing within Subarea 4 however, which our interviews suggest is the most desirable single family housing location of the Central City, increased at a far greater rate than other areas of Central City. In 1999/2000, the average sales price of units in Subarea 4 was estimated at just under \$100,000. More recently in the past two years, the average sales price increased to over \$205,000 representing an absolute increase of more than 110 percent. On a per-square-foot basis, the rate of value increase was even more significant. Although based on a relatively limited number of sales, the sales history of Subarea 4 is consistent with out interviews indicating housing in this location of the Central City continues to be, for the most part, well-maintained and attracts more affluent households.

Single family housing in two of the lesser-quality locations within the Central City (Subareas 2 and 3, close in proximity to the core Downtown) also experienced above-average increases in sales value over the past decade. The average sale prices, however, still remains considerably lower than other locations of the Central City.

Gruen Gruen + Associates (GG+A) is a firm of economists, sociologists, statisticians and market, financial and fiscal analysts. Developers, public agencies, attorneys and others involved in real estate asset management utilize GG+A research and consulting to make and implement investment, marketing, product, pricing and legal support decisions. The firm's staff has extensive experience and special training in the use of demographic analysis, survey research, econometrics, psychometrics and financial analysis to describe and forecast markets for a wide variety of real estate projects and economic activities.

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