

CANDELAS RETAIL STUDY



10/15/2019

City of Arvada

Analysis to evaluate and assess the existing and proposed retail as part of the Candelas master plan and surrounding area.

Candelas Retail Study

CITY OF ARVADA



Situated in Arvada, Colorado, Candelas is a nearly 1,500-acre new home community that is planned for 1,598 single-family homes, 785 multi-family homes, 268 single-family attached homes, and townhomes, as well as several million square feet of retail and commercial space. There are currently eight homebuilders building 12 different neighborhoods in the Candelas community. From big name national builders, to smaller, local homebuilding operations, buyers can find standard to fully customized home options. *Candelas Website*

Candelas has served to be a dramatic catalyst in developing the northern edges of Arvada. The 3 distinct areas within Candelas pegged for retail commercial/entertainment development are anticipated to meet the differing needs of the residential population moving into this area.

- **Mixed Use Commercial** area near Highway 93 encompasses convenience retailing with retailers such as 7-Eleven and Starbucks. This development is less about the Candelas trade area and more geared toward commuter traffic along Highway 93.
- The **Town Center** is set to feature food/beverage as well as shopping and professional services. At 21,000 square feet it is geared to serve the residents of Candelas and Leyden Rock. Resolute Brewing and Bluegrass Coffee / Bourbon lounge are great building blocks for this retailing area to build on.
- **Candelas East** is the primary retailing area in the trade area which is anchored by the new King Soopers Marketplace store at Candelas Parkway and Indiana. This is the retailing area that will be attractive to the broader trade area and therefore warrants the closer review.

Candelas Parkway & Indiana – Current Retail Development

King Soopers Center



Understanding that the growing residential population in north Arvada was without direct retailing services, the City worked closely with King Soopers for them to enter the trade area. Financial assistance was provided to offset the “not quite mature” trade area for Kings to build early. King Soopers opened in May 2018.

Sales for the King Soopers are currently trending in an upward manner and are approaching Kroger’s desired volume (but not yet fully realized), indicating that trade area maturity is not quite there yet.



- King Soopers
- King Soopers Gasoline Pad
- Wendy's
- 1st Bank
- Chuck & Don's Pet Supply
- Magic Nail Salon
- Super Cuts
- 10,000 SF Retail Building(s) (Proposed)
- 1-2 Free-Standing Pads (Proposed)

**Candelas East
West of King Soopers Center**



- Chase Bank
- Primrose Daycare
- Les Schwab Tire
- 2 Free Standing Pads (Proposed)
- Dental Office (North)

**Whisper Village (Proposed)
NEC 90th & Indiana**



- Daycare Facility
- Car Wash
- Fitness Center (20,000 SF)
- 9,000 SF Small Scale Retail
- 8 Free Standing Pads

NEC 87th & Indiana



- 7-Eleven
- Starbucks
- Goddard School Daycare
- 26,500 SF Small Scale Retail

SEC 86th & Indiana



- Drug Store (Proposed)
- Kum & Go
- Premiere Dental
- 1 Pad (Proposed)



Combined Development (5 Projects)

Does not include development on the SWQ / SEQ of the intersection or north of the King Soopers Center (Candelas East) as those projects have no estimates of development yet.

Total Projected Development:

- 55,500 sf of small scale retailer space (equates to approximately 25 retailers).
- 27 free standing pads (built & proposed).

Included in the development proposals are dental offices (5), coffee, gas stations (3), banking institutions, daycares (3), a fitness center, drug store, etc.. As most of these projects are projected uses by the developers, whether or not the proposed retailing is attainable is in question.

The potential for overlap between projects is significant and will call into question the ability of any one project to fully develop given the sheer number of pads and square footage available for small scaled retailing.

Trade Area Depth

A typical “neighborhood retailing” trade area seeks a mature population base of 20,000 people within a 2-mile radius for each anchor retailer.

The current population numbers for the Candelas area are:

2 Mile Population (2020) – 16,545
(86th & Indiana)

3 mile radii numbers are not relevant as it overlaps significantly with the 64th & Indiana / McIntyre market area.

Looking at projected growth patterns:

- This area of Arvada has an average household size of 2.77 people per household.
- Projected residential growth for this area is 300 households.
- **Trade area population at build out is estimated at 17,376.**

The possibility exists for residential growth to exceed the 17,376 number provided zoning changes allow for additional residential beyond the projected 300 households. Those plans are hard to take into account since they are not contemplated yet. Natural limiting factors such as Rocky Flats and the foothills also have a limiting factor on the overall residential growth potential for the trade area.

Other Anchor Opportunities?



This becomes a more challenging assessment – there are so many factors playing into the grocery and drug store arena, determining if a competitive anchor would consider this trade area is difficult to forecast. Looking at the opportunity today, the trade area has a significant growth curve to become deep enough to support another grocer – population would need to double to nearly 40,000 people to support another grocery anchor (competitive to King Soopers). That equates to an additional 8,000 +/- households from where

the trade area stands today. **With that amount of growth required, the area is likely to never be “deep enough” to warrant a second grocery anchor.**

Out of Balance Trade Area

What the numbers show is a trade area not yet mature and developers that are catering to those “auto-centric” retailers that can rely on pass-by traffic along with the lighter population support. Even at full maturity, if new residential opportunities are not created, the trade area is considered “light” with a population base of less than 20,000 people.

The current retail development + retail development proposals are disproportionate based on a single grocery anchor, possible drug store anchor and a neighborhood shopping area. Although additional anchor retailing could come to the market in the future (provided there is significant residential growth) – these proposals are not based on that eventuality, interest is being assumed by the developers solely off the strength of King Soopers.

What the combined recap shows is a preponderance of smaller scaled retailing both within multi-tenant buildings and free-standing pads.

Opportunistic Developers

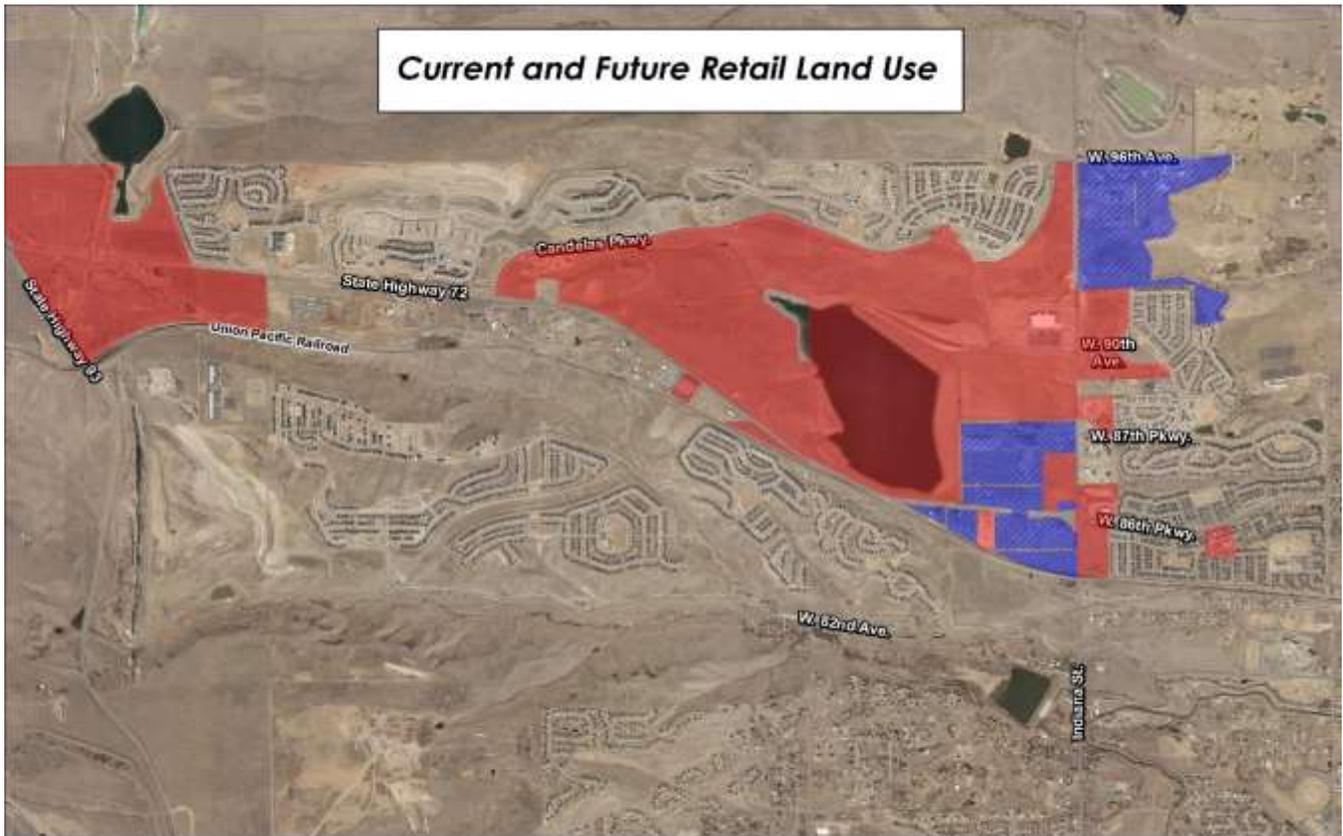


A survey of retail brokers highlights that the most active retailers in 2019 all fit within the convenience category. Retailers such as gasoline stations, coffee, fast food restaurants, banks – all retailers not affected by online shopping and a changing consumer viewpoint are the most active segment of retailers in terms of development.

Developers being opportunistic, are site planning projects for the retailers that are active. This results in “pad centric” designs such as we are seeing in the northern Indiana corridor.

With retail anchor development at an all-time standstill, it makes sense that the development community would shift their focus to the retailers that are developing.

How much is too much retail zoning...



- **In City - Zoning allows for retail, restaurants and other personal services**
- **Out of City - Comprehensive Plan designation for future Mixed Use**

Neighborhood Shopping Area

Definition: A shopping complex constructed around a supermarket and/or drug store as the only anchor tenant(s). It provides for the sale of convenience goods and personal services for the day-to-day living needs of the immediate neighborhood. The gross leasable area typically ranges from 30,000 square feet to 150,000 square feet. ICSC



RETAIL ANCHORS (*“big dogs”*) coalesce shopping patterns into a specific area which smaller retailing capitalizes on. Retail anchors provide the support needed for the smaller retailers.

- The greater the number of anchors in the trade area...
- The greater number of shopping trips that are generated...
- The greater amount of smaller scaled retailing that can be supported.

There is a correlation between the type, number and strength of the anchor(s) and the amount of small scaled retailing that can be supported.

A typical “neighborhood service” area with 1 grocery store anchor would support 25,000 to 30,000 square feet of small-scale retail space and 5-6 free-standing pads. The proposed developments represent an disproportionate increase in this smaller scaled retailing.

If we think about traditional “neighborhood” shopping areas – we don’t often find intersections dominated by almost entirely small-scale retailing concepts (i.e. all pads), such is being proposed at Candelas Parkway and Indiana.

80th & Wadsworth Comparison

By example, if we look at the intersection of 80th and Wadsworth, retailing is much more in scale with the trade area dynamics:

2 Mile Population (2020) – 60,046
 3 Major Retail Anchors
 High Traffic Corridor (54,700 Cars Per Day)
15 Free Standing Pads

Candelas Parkway intersection is not high profile enough nor has enough retail anchor support to absorb the amount of small scale retailing anticipated by these developments. One or more of these projects will be a loser in that they cannot fully execute their development plan.

What happens if there is too much built?



Undeveloped pads and empty retailing spaces become the casualty of overbuilding for convenience retailing calling into question the long term vitality of the projects themselves.

With competitive influences, it is conceivable that the retailers will

spread themselves around to escape competitive restrictions. With certain uses – it will likely be less about “which” project and more about “where” they can go based on other retailing commitments within each of the projects. (*i.e. a 4th gas retailer would need to go to Whisper Village or Candelas East so as not to be competitive with gas retailers already committed to one of the other projects.*) This dynamic leads to each project getting a few retailers but not necessarily the bulk of the retailing.

In an era where “experience” is one of the highest value aspects of retailing – “pad centric” developments with no public spaces or nod towards the environment of the retailing lack any aesthetic appeal. Add to the mix, vacant pads and unleased space and these retailing areas lose their appeal overall.

Summary



A

move away from “developing commercial retail for commercial retail’s sake” needs to be evaluated. As retail struggles to find its “next act” so does the City. Not all retailing has the same value to a community, there is a hierarchy to retailers and their subsequent desirability.

Even if the trade area could support all those pads and small retail spaces, is that the development pattern that we think is sustainable? Will we be procuring quality retailers that enhance the retailing experience in the Candelas area? Are opportunistic development plans that are over capitalizing on a single segment of the retailing market the answer in a tough retailing environment?

Current plans create a strip commercial format that relies heavily on “auto centric” uses. This myopic retailing view and design leaves out the opportunity for this area to develop with new retailing concepts and inclusions (integrated open space, environment rich amenities, etc.). If the City is going to evaluate rezoning parcels away from commercial but still allow street fronted retail zoning to remain – comprehensive ideas on how to best manifest that retail development need to be explored.

What can we do?



The objective should be to create a walkable, mixed use community corridor with a strong focus on unique elements that are identifiable to the “Candelas Corridor”. Much of this discussion is centered on the concepts of “place making” and joining different land uses together in such a way that they complement each other.

Industry buzz words like human comfort, diverse, vibrant, walkable, creating a sense of place were contentious to retail development for the last 50 years. Now, retailing is trying to embody these elements in an effort to be more attractive. Whether it is placement of the parking, emphasis on public/open spaces, variety of form and color – any of these elements can go a long way of connecting the retail to the neighborhood.



Not promoting retail in locations where the retail is potentially in excess provides a healthier retailing environment overall. In today’s environment – “more is not better”. Rather, appropriate scaled retailing designed in such a way to blend it into the residential is much more desirable.



Embrace higher-density residential development to promote more population maturity in the area and enhance the vibrancy of the retail areas.

Higher density residential marries well with the newer retailing concepts providing a backdrop for an enhanced, sustainable retail environment, developed with creative and distinct place making elements at the same time as deepening support for the retail.

The Bottom Line

- ✓ There is too much retail zoning for the area to support.
- ✓ Residential growth is limited and will not be enough to support the amount of retail zoning.
- ✓ The retail zoning is strung along Indiana diminishing opportunity for a comprehensive retailing area that builds off itself.
- ✓ The City must find its “next act” with retail by letting go the concept of “more is better” and shift to embracing different scale and elements.
- ✓ Embrace mixed use elements to create retail vibrancy.