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APPENDIX C

Market Analysis- CRS

RETAIL MARKET FEASIBILITY STUDY
COFFEYVILLE COMPREHENSIVE PLAN UPDATE
COFFEYVILLE, KANSAS

November 2008

CANYON RESEARCH SOUTHWEST, INC.

COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

RETAIL MARKET FEASIBILITY STUDY
COFFEYVILLE COMPREHENSIVE PLAN UPDATE
COFFEYVILLE, KANSAS

November 2008

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CANYON RESEARCH SOUTHWEST, INC.

COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

November 28, 2008

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RE: Retail Market Feasibility Study
Coffeyville, Kansas Comprehensive Plan

Diane:

Per our agreement, attached are the findings from the *Retail Market Feasibility Study* prepared for inclusion into the Comprehensive Plan Update for Coffeyville, Kansas. The study evaluates the market potential and opportunities for supporting future redevelopment and development of retail uses within Coffeyville, Kansas with particular emphasis placed on the central business district.

Upon review of the study, should any questions arise or additional information requested, contact me directly at (716) 362-1203.

Respectfully submitted,

CANYON RESEARCH SOUTHWEST, INC.

Eric S. Lander, Principal

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SUMMARY OF MAJOR FINDINGS

The City of Coffeyville, Kansas is preparing an update to the Comprehensive Plan that will outline future land use patterns and redevelopment strategies. The most recent Comprehensive Plan for the City of Coffeyville was developed in 1987 followed by an update prepared in 1995.

Canyon Research Southwest, Inc. has prepared the attached *Retail Market Feasibility Study* that evaluates the market potential and opportunities for supporting future redevelopment and development of retail uses within Coffeyville, Kansas with particular emphasis placed on the central business district. The report's major findings are summarized in the text below.

Retail Development Potential

Coffeyville, Kansas serves as a major shopping destination for residents of Montgomery County. Coffeyville's primary trade area is defined as a 10-mile radius from the city, increasing to a 20-mile radius for the secondary and tertiary trade areas. Coffeyville's retail trade pull factor of 1.14 supports its status as a shopping destination, capturing retail sales at a rate 14 percent above the statewide average. From 2000 to 2007 taxable retail sales in Coffeyville increased by 14.8 percent, reaching $170 million for 2007. The July 2007 flood impacted 71 businesses resulting in a decline in retail sales for the year of 4.5 percent.

The *RMP Opportunity Gap – Retail Stores Report 2008* published by Claritas, Inc. identifies those categories providing the greatest opportunity for capturing additional retail sales in Coffeyville as building materials and supplies, grocery stores, department stores, pharmacies, eating and drinking establishments, appliance and home electronics stores and clothing stores.

Despite Coffeyville's above average retail pull factor the city lacks a large and diverse retail market. Residents must drive to other major retail districts to satisfy much of their shopping needs. Alternative shopping destinations include Owasso, Oklahoma; Bartlesville, Oklahoma; Pittsburg, Kansas and Joplin, Missouri.

Downtown Coffeyville is located one block north of 11th Street (U.S. 166), covering a 6-block area bounded by 8th Street to the north, 10th Street to the south, Patterson Street to the east and Elm Street to the west. Downtown is plagued by a large inventory of vacant buildings in poor condition. The Dalton Museum and Perkins Building, site of the Dalton Raid in 1892, serve as tourist attractions for downtown Coffeyville. Downtown businesses are equally distributed among retailers and professional services firms. The retail businesses are primarily locally-owned merchants, adding to the unique character of downtown Coffeyville. However, the absence of a cluster of one or more business types precludes downtown from creating a true identity/image.

The City of Coffeyville offers commercial properties suitable for the development of new retail space and the revitalization of existing structures. Eleventh Street (U.S. 166) will remain as Coffeyville's prominent commercial corridor. The flood affected area on east 11th Street offers an excellent opportunity to support future retail development. The pending construction of a Wal-Mart Supercenter at the intersection of U.S. 166 and U.S. 169 on the eastern edge of Coffeyville will likely stimulate an emerging retail node.

Commercial Space Demand Forecasts

Through the year 2025 the total demand for retail space within Coffeyville's primary, secondary and tertiary trade areas is forecast at approximately 466,863 square feet. Forecast retail space demand by trade area is 206,957 square feet for the primary, 120,099 square feet for the secondary and 139,807 square feet for the tertiary. Given the composition of the trade area retail market the City of Coffeyville is estimated to capture 75 to 85 percent of the primary trade area's forecast retail space demand, 35 to 40 percent of secondary trade area's retail space demand and 15 to 20 percent and the tertiary trade area's retail space demand. Based on these assumptions, from 2008 through 2025 the City of Coffeyville is forecast to support an additional 218,223 to 251,914 square feet of retail space.

Forecast Retail Space Demand Coffeyville, Kansas; 2008 – 2025

	Trade Area			
	Primary	Secondary	Tertiary	Totals
2008	166,200	95,092	110,867	372,159
2008 - 2015	16,756	10,274	11,897	38,927
2016 - 2025	24,001	14,733	17,043	55,777
Totals	206,957	120,099	139,807	466,863
Coffeyville Capture Rates - Conservative	75%	35%	15%	46.74%
Retail Space Demand - Coffeyville	**155,218**	**42,035**	**20,971**	**218,223**
% of Total Space Demand	71.13%	19.26%	9.61%	100.00%
Coffeyville Capture Rates - Optimistic	85%	40%	20%	53.96%
Retail Space Demand - Coffeyville	**175,913**	**48,040**	**27,961**	**251,914**
% of Total Space Demand	69.83%	19.07%	11.10%	100.00%

Source: Canyon Research Southwest, Inc.

The existing Wal-Mart store in Coffeyville, Kansas will be replaced by a 200,000 square foot Wal-Mart Supercenter. The new Wal-Mart Supercenter will be approximately 90,000 square feet larger than the existing Wal-Mart store. Therefore, based on the retail space demand forecasts provided in the above table, accounting for the new Wal-Mart Supercenter, through the year 2025 Coffeyville is forecast to absorb approximately 128,223 to 161,914 square feet of retail space.

Given the large inventory of vacant buildings within downtown Coffeyville any substantial retail space absorption will not require the construction of new space. At conservative capture rates of 5 to 10 percent of trade area retail space demand, from 2008 through 2025 downtown Coffeyville would support approximately 10,911 to 25,191 square feet.

Retail Development Opportunities

Four retail development opportunities have been identified for Coffeyville, including: 1) West 11th Street; 2) flood affected area along east 11th Street; 3) emerging retail node at U.S. 166 and 5300 Road; and 4) downtown revitalization.

West 11th Street

Eleventh Street west of Walnut Street now represents Coffeyville's primary commercial corridor housing a wide variety of shopping centers and freestanding retailers. By late 2009 the Wal-Mart store at the far western edge of 11th Street is scheduled to close upon completion of a new Wal-Mart Supercenter on the far eastside of Coffeyville. Despite the pending loss of its largest retailer the west 11th Street corridor should remain as Coffeyville's primary commercial district.

Constraints hindering large-scale retail development along west 11th Street include the absence of suitable sites and presence of the MO-PAC Railroad line that parallels the south side of 11th Street. Future development opportunities include freestanding junior anchors, strip centers and small out parcels accommodating convenience stores, bank branches and restaurants. Redevelopment opportunities include the re-use of the soon to be vacated Wal-Mart store, with possible formats including subdividing the space to accommodate smaller tenants, conversion into a municipal use or razing the structure to facilitate shopping center development. To improve the exposure and revitalization efforts of downtown the existing properties on the north side of 11th Street adjacent to the downtown area could be redeveloped.

Flood Affected Area

On July 1, 2007, Coffeyville was hit by the worst flood in its 139 year history when the Verdigris River topped the levee by more than four feet. A reported 459 homes and 71 businesses on the city's east side were affected by the flood waters and oil. As a result of the oil release, Coffeyville Resources has purchased 313 of the 327 homes in the flood affected area. These homes have been demolished. Deed restrictions have been placed on the purchased property that precludes the future construction of new housing.

East 11th Street serves as one of Coffeyville's major gateways and defines the perception of the community. As of the date of this report just 27 businesses have re-opened or are being rebuilt within the flood affected area. The scattering of commercial structures and large inventory of vacant land paints a poor picture for Coffeyville. Such notable businesses as Best Western, Days Inn and Save-a-Lot have successfully re-opened within the flood affected area, giving hope that more businesses will follow.

Considerable vacant land now exists within the 5-block area between Pine Street and 8th Street that is suitable for commercial development, offering excellent access, visibility and exposure. Site characteristics are sufficient to accommodate a mix of strip centers, anchor tenants and small lots designed for restaurants, bank branches and convenience stores.

Emerging Retail Node

With the scheduled fall 2009 completion of a 200,000 square foot Wal-Mart Supercenter an emerging retail node will develop in Coffeyville on U.S. 166 east of U.S. 169. The Wal-Mart Supercenter will be accompanied by a 50,000 square foot regional home improvement store and 25,000 to 30,000 square feet of small shops on an adjacent 13-acre parcel. The Kansas Department of Transportation reports the average daily traffic count on U.S. 166 east of U.S. 169 at just 2,940 vehicles. U.S. 169 north of U.S. 166 supports an average daily traffic count of 7,300 vehicles and is planned to be expanded to a 4-lane highway.

The current Wal-Mart store on West 11th Street is Coffeyville's largest retailer generating the highest customer traffic counts. By relocating to the extreme eastern edge of town, the Wal-Mart Supercenter will greatly affect the shopping and traffic patterns in Coffeyville. Customer traffic, particularly out-of-town traffic, will be diverted away from West 11th Street. The lower customer traffic counts may adversely impact sales for those major retailers operating along West 11th Street. The Wal-Mart Supercenter will offer an expanded grocery department which may adversely impact the two grocery stores now operating in Coffeyville. Traffic counts at the intersection of U.S. 166 and U.S. 169 will increase significantly, drawing additional retailers. Based on the development patterns surrounding other Wal-Mart Supercenters in rural areas, prospective retail formats attracted to the intersection of U.S. 166 and U.S. 169 include major anchors, junior anchors, small shops and freestanding restaurants, bank branches and convenience stores. To protect the City's 11th Street commercial district it is recommended to restrict the inventory of land designated for commercial use surrounding the planned Wal-Mart Supercenter site.

Downtown Coffeyville

Downtown Coffeyville's primary assets in stimulating revitalization include: 1) 60 existing businesses create a critical mass of business and pedestrian activity; 2) the presence of such historic sites as the Dalton Museum, Perkins Building, Dalton Defenders Plaza and Death Alley and Midland Theatre; 3) government offices include Coffeyville City Hall and United States Post Office; 4) major businesses such as Westco Home Furnishings and Isham True Value Hardware; and 5) a large inventory of architecturally significant buildings. The 72-room Sleep Inn now under construction on 11th Street should assist in marketing to tourists. The current inventory of vacant commercial space downtown totals approximately 90,000 square feet, none of which is in sufficient condition to permit immediate occupancy. Considerable economic incentives will be needed to foster financially feasible redevelopment of vacant buildings in downtown Coffeyville.

Primary liabilities and constraints hampering downtown revitalization include: 1) despite low building acquisition costs, low rents and the high costs of renovations preclude financially feasible adaptive re-use of buildings; 2) very low traffic counts due to is location off U.S. 166 make it difficult to attract retailers; 3) narrow one-way streets reduce traffic flow; 4) large inventory of buildings in poor condition create vacancies and business dead zones located primarily on 9th Street; 5) lack of commercial space in suitable condition available for immediate occupancy; 6) limited connectivity to the 11th Street corridor and 7) the lack of a true identity.

Establishing a marketable "identity" and promoting the city's historic attractions will be critical in improving the viability of the downtown area as a business, shopping, entertainment and civic

destination. The "vision" of downtown Coffeyville should be to retain its historic character and create a business district offering a blend of economic, governmental, cultural, entertainment and pedestrian activities. Professional and personal service firms now account for half of downtown businesses. These businesses don't promote high pedestrian activity particularly after 5:00 pm. A primary goal in the revitalization of downtown is to create a larger concentration of retail businesses and restaurants to promote heightened pedestrian activity and improve the connectivity of downtown businesses with the 11th Street corridor.

The historic character of the buildings in downtown should be preserved. Emphasis should be placed on the adaptive re-use of existing vacant buildings and the redevelopment of under-utilized properties. One constraint these buildings face is excessive renovation costs. Possible solutions include façade improvement grants, low interest loans, property tax incentives and historic preservation tax credits.

Low traffic counts and a buried location one block north of 11th Street make it difficult to attract retail businesses. Connectivity and exposure to the 11th Street corridor will be critical in improving the business climate of downtown Coffeyville. Possible solutions include creating a "gateway" entrance for downtown on 11th Street at either Maple Street or Patterson Street. Such a "gateway" entrance would provide a sense of arrival and place as well as improve downtown's exposure to 11th Street's high traffic volumes. Connectivity can also be improved by redeveloping the commercial structures along the north side of 11th Street between Maple Street and Patterson Street. These new "urban character" buildings would improve downtown's critical mass as well as provide a "front door" onto 11th Street.

Emphasis should be placed on incorporating public space into the downtown in an effort to create an increased sense of place and community, improve market perception, and create venues for performances and other public events. Downtown businesses would gain by the increased pedestrian activity generated by special public events. Public space currently exists adjacent to the Perkins Building. This public space should be enhanced and/or additional public space created within the downtown core to promote a wider range of public events.

Upgrade public infrastructure, including streets, landscaping, lighting and signage. Initial streetscape improvements along Maple Street north of 11th Street would leverage off a downtown "gateway" entrance and create a sense of destination and arrival into downtown.

Destination retail businesses are best suited for downtown Coffeyville that cater to both local residents and out of town visitors. Prospective retail categories include eating and drinking places, dance and music studios, home electronics and appliances, antiques, coffee shop, books and music, hair salon/barber, and gifts and crafts. These retail categories are designed to complement downtown Coffeyville's current retail base as well as cater more to the local tourism market. These prospective tenants along with the existing retailers would create a cluster of home furnishings and entertainment businesses. Prospective office tenants include banks and financial services, insurance, lawyers and travel agents.

Prior to the flood Coffeyville suffered from a tight housing market with much of its housing stock in substandard condition. Given modest income levels in Coffeyville the need for rental housing is apparent. Incorporating rental housing into downtown Coffeyville would both assist in the City's housing crisis and improve pedestrian activity downtown.

RETAIL MARKET FEASIBILITY STUDY
COFFEYVILLE COMPREHENSIVE PLAN UPDATE
COFFEYVILLE, KANSAS

November 2008

INTRODUCTION

Study Objective and Organization

On July 1, 2007 Coffeyville, Kansas experienced a major flooding of the Verdigris River that affected 459 homes and 71 businesses. As a component of the community's redevelopment process the City of Coffeyville, Kansas is preparing an update to the Comprehensive Plan that will outline future land use patterns and redevelopment strategies. The most recent Comprehensive Plan for the City of Coffeyville was developed in 1987 followed by an update prepared in 1995. This study identifies the Coffeyville's future need for retail uses and suitable development locations.

As part of the planning process Canyon Research Southwest, Inc. has prepared a *Retail Market Feasibility Study* for the Coffeyville Study Area. The *Retail Market Feasibility Study* evaluates the market potential and opportunities for supporting future redevelopment and development of retail uses within Coffeyville, Kansas with particular emphasis placed on the central business district.

The *Retail Market Feasibility Study* evaluates current competitive retail market trends impacting Coffeyville, Kansas. Competitive market factors addressed by the study include historic trends in annual retail sales, a trade area retail sales gap analysis and a survey of competitive shopping destinations identifies the tenant mix of alternative shopping areas frequented by residents of Coffeyville. The purpose of this competitive survey was to identify the retail pull of competing shopping destinations and the ability of Coffeyville to feasibly support under-serviced segments of the trade area retail market. Next, the potential for downtown revitalization is considered by providing a comparison of downtown Coffeyville's current business profile with comparable downtowns in southeast Kansas. The study concludes with a site specific evaluation that determines the ability of Coffeyville to accommodate a variety of retail development formats, resulting in the identification of viable redevelopment and development sites.

Based on the findings of the *Retail Market Feasibility Study*, potential development opportunities for Coffeyville are identified, as well as prospective locations. Study recommendations include the following:

- Quantify the supportable near- and long-term inventory of new retail space in Coffeyville.

- Identify potential near- and long-term redevelopment and development opportunities for Coffeyville, including future growth locations and potential retail development formats. Emphasis is placed on identifying revitalization opportunities for downtown Coffeyville.

Coffeyville's July 2007 Flood

On July 1, 2007, Coffeyville was hit by the worst flood in its 139 year history when the Verdigris River topped the levee by more than four feet. The entire east side of the city was inundated as water poured over the levee for nearly three days. Approximately seven days was required to pump the water out of the city. Adding further damage, when Coffeyville Resources was shutting the refinery down in preparation for the flood waters a valve was left open which resulted in approximately 90,000 gallons of oil released into the flood waters.

A reported 459 homes were affected by the flood waters and oil, representing approximately 10 percent of Coffeyville's housing stock. Most of the damaged homes were wood frame built from the 1920s to 1940s and ranged in size from approximately 800 to 1,300 square feet. Approximately half the homes were rental. According to data provided by FEMA, 960 residents were displaced by the flood waters. The flood also impacted 71 businesses including 6 of 7 motels, 1 of 2 grocery stores, five restaurants, four convenience stores, three churches and two mobile home parks. As of December 1, 2007, only 17 of the impacted businesses had reopened in either their original location or at another location. By April 2008 roughly 50 percent of the businesses impacted had reopened. Property damage resulting from the flood was estimated at $15.8 million.

As a result of the oil release, Coffeyville Resources has purchased 313 of the 327 homes in the flood affected area. These homes have been demolished. Deed restrictions have been placed on the purchased property that precludes the future construction of new housing. Coffeyville Resources has discussed using the purchased property immediately surrounding the refinery has a buffer zone with the balance of the property available for commercial development.

DEMOGRAPHIC AND ECONOMIC ANALYSIS

This section of the report provides a demographic and economic analysis of Coffeyville, Kansas that forms the basis for forecasting future economic trends and retail space demand.

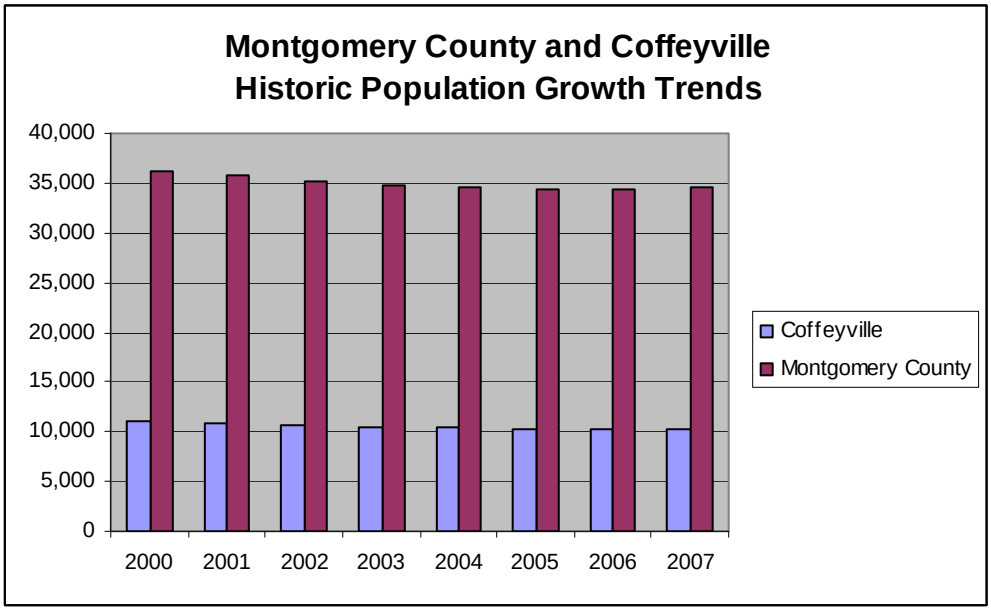
Demographic Overview

Coffeyville is located in Montgomery County in southeast Kansas. This section of the report provides historical population estimates for both Montgomery County and Coffeyville, Kansas.

Historical Resident Population Trends

The U.S. Census Bureau publishes annual resident population estimates for the City of Coffeyville using a component of population change method. The household and group quarter populations are estimated independently. For household population the components of population change are births, deaths, net domestic migration, net international migration and net military movement to and from overseas. Change in the group quarter population is measured by the net change in the population living in group quarters facilities.

The U.S. Census Bureau reported that the population for both Montgomery County and Coffeyville has declined since 2000. From April 1, 2000 to July 1, 2007 the Coffeyville population declined by 6.1 percent, reaching an estimated 10,349 residents. During the same 7-year period the population of Montgomery County declined by 4.8 percent to 34,511 by July 1, 2007. On a positive note, during 2006 and 2007 both Montgomery County and Coffeyville experienced slight population increases.



Demographic characteristics and trends for the Coffeyville resident population published by Claritas, Inc. are summarized in the table on page 4. Coffeyville's current population of 10,419 (compares to the U.S. Census estimate of 10,349) is sufficient to support only a modest retail market. However, given Coffeyville's status as a regional shopping destination for Montgomery County it is well positioned to draw customers from outside of the city and support a larger and more diverse retail market. By 2013, the city's population is forecast to decline slightly to 10,003 residents and average household incomes are estimated to rise by 10.9 percent.

Coffeyville's adolescent and young adult population supports the sales of apparel and accessories; groceries; sporting goods; music; home electronics; eating and drinking places; and general merchandise. The large population ages 25 to 44 are in their principal consumer years, favoring hardware; furniture and home furnishings; home electronics; department stores; eating and drinking places; and entertainment. Residents aged 65+ account for 20.6 percent of the Coffeyville population. The large senior population creates demand for medical-related goods and services. These consumption patterns and a large number of households earning $15,000 to $49,999 per year bode well for supporting strong sales for value retailers.

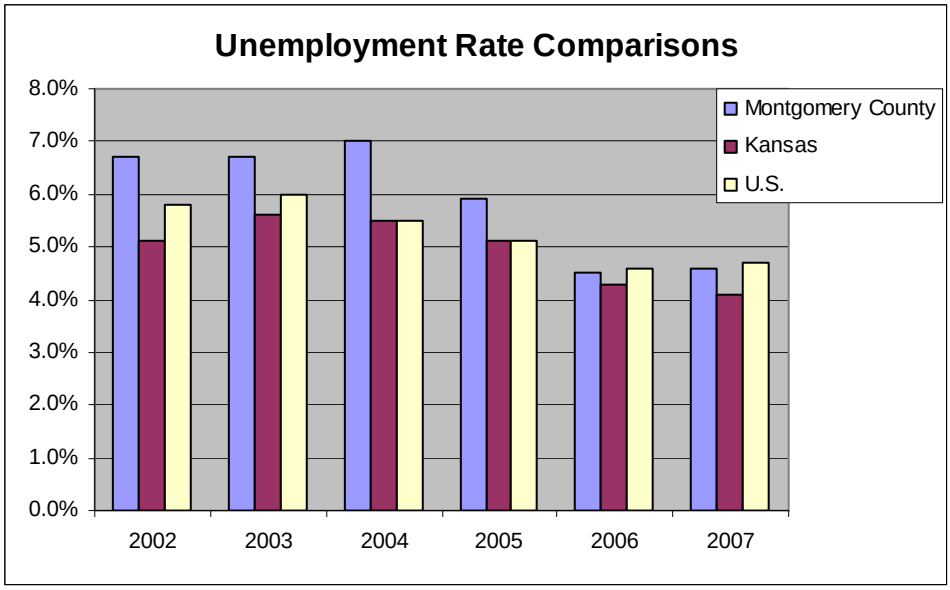
Coffeyville, Kansas Demographic Trends

Demographic Characteristic	2000 Census	2008 Estimate	2013 Projection
Total Population	11,021	10,419	10,003
Households	4,691	4,475	4,314
Population by Age			
0-9	1,395	1,407	1,422
10-17	1,250	1,063	1,006
18-24	1,103	995	972
25-34	1,222	1,219	1,146
35-44	1,345	1,173	1,087
45-54	1,323	1,265	1,104
55-64	1,021	1,148	1,120
65+	2,362	2,149	2,146
Median Age	39.02	39.48	39.19
Average Age	40.71	40.88	40.90
Household Income			
Less than $15,000	29.45%	21.30%	18.34%
$15,000 - $24,999	19.78%	19.33%	17.83%
$25,000 - $34,999	15.88%	14.73%	14.12%
$35,000 - $49,999	16.37%	18.57%	17.87%
$50,000 - $74,999	12.17%	15.15%	17.20%
$75,000 - $99,999	3.64%	5.72%	7.16%
$100,000 - $149,999	1.56%	3.82%	5.31%
$150,000 - $249,999	0.94%	0.76%	1.41%
$250,000 - $499,999	0.21%	0.58%	0.60%
$500,000+	0.00%	0.04%	0.16%
Average Household Income	$34,370	$40,555	$45,705
Median Household Income	$25,489	$31,364	$34,795
Per Capita Income	$15,144	$17,976	$20,292

Source: Claritas, Inc.

Employment Statistics

The Montgomery County unemployment rate exceeded both the state and national averages from 2002 to 2005. During 2006 and 2007 Montgomery County unemployment rate was slightly below the national average and only slightly above the state average.



Coffeyville and Montgomery County have been successful in generating new jobs in the area, but have not fully capitalized on those jobs due to a lack of affordable, adequate housing. According to the Kansas Department of Revenue, an influx of approximately 1,700 workers travel to Montgomery County each day to work. The majority of these commuters are residents of Oklahoma.

Coffeyville supports a considerable manufacturing base. Amazon.com, the city's largest employer, is located in the Coffeyville Industrial Park along with John Deere, American Craftsmen, American Insulated Wire Corporation, Coffeyville Aircraft, Darwin Industries, King Aire, Pepsi-Cola Company and Prestige Cabinets. Coffeyville Resources, Acme Foundry, Coffeyville SEKTAM, Morrow Foundry, Jensen International, Pressure Cast and Bartlett Milling are located in town. A list of Coffeyville's major employers is summarized in the table on the following page.

Coffeyville, Kansas Major Employers

Employer
Acme Foundry / Magic Circle
Amazon.com
American Insulated Wire
City of Coffeyville
Coffeyville Community College
Coffeyville Regional Medical Center
Coffeyville Resources Refinery
Coffeyville Resources Nitrogen Fertilizer Facility
Coffeyville SEKTAM
Jensen International
John Deere Coffeyville Works
Morrow Foundry
Pressure Cast
Unified School District 445
Windsor Place

Source: City of Coffeyville.

RETAIL MARKET ANALYSIS

This section of the report evaluates the market viability of Coffeyville, Kansas to sustain development of additional retail space.

Retail Trade Areas Defined

Within a shopping center's or retailer's trade area, customers closest to the site will affect sales most strongly, with customer influence diminishing gradually as the distance increases. Trade areas are usually divided into three categories or zones of influence, each of which is defined below. The retail trade areas for Coffeyville, Kansas were based on the customer pull of the largest retail format, that being big-box retailers such as Wal-Mart Supercenter.

> ***Primary Trade Area*:** A shopping center's or retailer's primary trade area is the geographical area from which the largest share of repeat sales are derived, as much as 70 to 80 percent. The primary trade area for a big-box retailer extends in all directions up to ten miles in rural markets.
>
> ***Secondary Trade Area*:** The secondary trade area generates about 15 to 20 percent of a shopping center's total sales. The secondary trade area for a big-box retailer extends in all directions up to 20 miles in rural markets.
>
> ***Tertiary Trade Area*:** The tertiary trade area forms the broadest area from which customers are drawn. The tertiary trade area for a big-box retailer can encompass one or more counties in rural markets.

Coffeyville's retail trade area was defined based on such factors as population densities, location of competitive retail destinations and "sister" stores, regional transportation system and geographic influences. The closest competitive retail destinations to Coffeyville include Independence, Kansas approximately driving 24 miles to the northwest, Bartlesville, Oklahoma approximately 35 miles to the southwest and Joplin, Missouri approximately driving 70 miles to the east.

Coffeyville's primary retail trade area is defined as the geographic area within a 10-mile radius from the intersection of U.S. 169 and U.S. 166. The secondary and tertiary trade areas expand out in a 15- to 20-mile radius.

Coffeyville, Kansas Retail Market Analysis

This section of the report evaluates future retail development opportunities within Coffeyville, Kansas by identifying local trends in retail sales and retail trade pull factors. A survey of alternative shopping destinations assists in identifying potential retailers for Coffeyville.

Retail Market Overview

Coffeyville serves as a retail destination for Montgomery County. Eleventh Street (U.S. 166) is Coffeyville's primary commercial corridor with the largest concentration of retail businesses operating west of U.S. 169. The west 11th Street corridor houses a mix of restaurants, convenience stores, bank branches, strip and anchored centers and big-box retailers. Restaurant chains operating along U.S. 166 include Arby's, KFC, Long John Silver's, McDonalds, Pizza Hut, Sonic, Subway and Taco Bell. Coffeyville Plaza located at the northwest corner of 11th Street and Halls Street is the only large-scale shopping center in Coffeyville. The 101,800 square foot center is anchored by Country Mart West, Hibbett Sports, Ace Hardware and Rent-a-Center. Space leases for $2.50 to $6.00 per square foot. Other big-box retailers operating stores along 11th Street in Coffeyville include Wal-Mart, Orscheln Farm & Home, Dollar General, Family Dollar and Blockbuster Video. Strip centers along the west 11th Street corridor are fully occupied at lease rates generally in the $5.00 to $6.00 per square foot range.

The portion of 11th Street east of U.S. 169 was impacted by the July 2007 flood, affecting a reported 71 businesses. According to the Coffeyville Chamber of Commerce, 29 affected businesses have reopened, relocated or are in the process of reopening. Notable businesses reopening include Best Western Bricktown Lodge, Days Inn, Save-A-Lot Market and Tropical Snow. Those businesses relocating include Hong Kong Delight and Little Treasures Pet Salon. Businesses now in the process of reopening include the Regal Inn and Schwinn Motel. Several commercial properties have been purchased by Coffeyville Resources Refining & Marketing, including Budget Inn, Cactus Grill, Crescent Apartments, Gilstrap Retail Liquor, Neat Cuts, PJ's Mini Storage and Townsman Hotel. The status report provided by the Coffeyville Chamber of Commerce is summarized in the table on page 10.

Downtown Coffeyville is located one block north of U.S. 166, covering a 4-block area bounded by 8th Street to the north, 10th Street to the south, Walnut Street to the east and Elm Street to the west. Eighth Street through downtown Coffeyville once served as the major highway. Construction of U.S. 166 routed traffic to the south which has had an adverse impact on downtown's business climate. While government offices and a wide mix of independent businesses still operate, downtown is plagued by a large inventory of vacant buildings in poor condition. According to Downtown Coffeyville, Inc., the current inventory of vacant commercial space downtown totals approximately 90,000 square feet. Rents generally range from $2.40 to $5.00 per square foot. A list of commercial space available for lease in downtown Coffeyville provided by Downtown Coffeyville, Inc. is provided in the table on page 11.

Status of Businesses Affected by the July 2007 Flood

Business	Address	Status
8th Street Car Wash	Coffeyville	Reopened
Allied Concrete	CR 5300 Coffeyville	
Ampride Kabredios	Coffeyville	
AppleTree Inn	Coffeyville	Reopened as Days Inn
Auto Repair in Cactus Parking Lot	Coffeyville	Reopened
B&K Nu 2 U Flea Market	802 East 11th Street	
bp Amoco	202 East 11th Street	
Best Western Bricktown Lodge	605 Northeast Street	Reopened
Blake's Glass & Muffler	803 East 11th Street	Reopened
Brass Hat Janitorial	Coffeyville	
Budget Inn	1204 East 5th Street	Owned by CRRM
Cactus Grill	602 Northeast Street	Owned by CRRM
China Garden Restaurant	Coffeyville	
Chris Truck Lines	Coffeyville	
Clough Oil Company	1106 Oak Street	
Coffeyville Implement	Coffeyville	
Community State Bank	901 Northeast Street	ATM Reopened
County Line Auto Sales	Coffeyville	Reopened
Crescent Apartments	Coffeyville	Owned by CRRM
Crescent Oil Company	Coffeyville	
Decker Construction	1215 East 8th Street	Reopened
Dr. Thompson Chiropractic	Coffeyville	Closed
Gilstrap Retail Liquor	1115 East 5th Street	Owned by CRRM
Green Acre Mobile Home Park	Coffeyville	Closed
Heritage Mobile Home Park	807 Moon Street	Reopened
Hong Kong Delight	812 East 11th Street	Relocated
Hoopingarners Frozen Yogurt	Coffeyville	Closed
JC Pump	1300 East 3rd Street	Reopened
Jenkins Liquor	Coffeyville	
Jumpstart Coffeyville	512 Northeast Street	
Kadredio's	1206 East 4th Street	
Kanoma Cooperative Association	1112 East 4th Street	Reopened
Lazy K Saddles & Tack		Reopened
Shooters and KCCH Trainers	501 North Forest	In Process of Reopening
Little Treasures Pet Salon	715 East 11th Street	Relocated
MEC Company	Coffeyville	Reopened
M&D Automotive	Coffeyville	
Marilyn's Family Treasurers	807 East 11th Street	
Mette's Ranch House	701 Northeast Street	Closed
Neat Cuts	801 East 11th Street	Reopened
Parmac, LLC	12th Street & Oak Street	Reopened
PJ's Mini Storage	1105 East 5th Street	Owned by CRRM
Plaza Apartments	Coffeyville	Reopened
RBK Manufacturing	608 Sunflower	Reopened
Regal Inn	1215 East 3rd Street	In Process of Reopening
Schwinn Motel	801 Moon Street	In Process of Reopening
SMC Electric Supply	602 East 8th Street	Reopened
Conoco	900 East 8th Street	Reopened
Speedy Mart	Coffeyville	
Save-A-Lot Market	903 East 8th Street	Reopened
Testerman Welding	Coffeyville	
That's Whats Cooking	823 East 8th Street	
Coffeyville Collision	1015 East 5th Street	Reopened
The Body Builder	1121 South Walnut Street	Reopened
TNT Contractors	806 east 8th Street	Reopened
Touch of Class	Coffeyville	
Townsman Hotel	Coffeyville	Owned by CRRM
Tropical Snow	Coffeyville	Reopened
Vest Security	303 West 14th Street	

Source: Coffeyville Chamber of Commerce.

Downtown Coffeyville, Kansas
Commercial Space Available for Lease

Address	Space Sq. Ft.
111 - 113 West 8th Street	4,000
119 West 8th Street	5,252
104 West 8th Street	20,764
112 West 8th Street	5,050
116 West 8th Street	2,500
211 West 8th Street	6,500
115 - 117 West 9th Street	10,500
120 West 9th Street	5,723
122 - 124 West 9th Street	6,420
130 West 9th Street	6,900
206 West 10th Street	7,000
822 Walnut	2,300
828 Walnut	2,405
716 Maple	Various Space
Downtown Mall	Various Space
Total Available Space	**85,314**

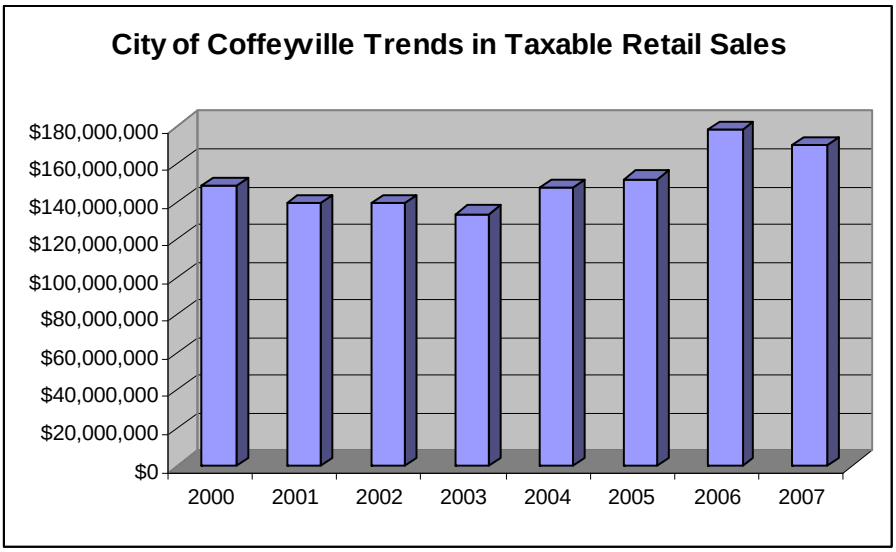
Source: Downtown Coffeyville, Inc.

Two planned retail developments will greatly improve Coffeyville's status as a shopping destination. A 200,000 square foot Wal-Mart Supercenter is scheduled to open by fall 2009 at U.S. 166 and 5300 Road. The store will be accompanied by three out parcels and a 4-acre parcel targeted for hotel use. Adjacent to the Wal-Mart site, Kessinger/Hunter controls a 13-acre site with the initial phase of development designed for a 50,000 square foot regional home improvement store and 25,000 to 30,000 square feet of small shops.

The current Wal-Mart store on West 11th Street is Coffeyville's largest retailer generating the highest customer traffic counts. By relocating to the extreme eastern edge of town, the Wal-Mart Supercenter will divert traffic, particularly out-of-town traffic, away from West 11th Street. The lower customer traffic counts may adversely impact sales for those major retailers operating along West 11th Street. The Wal-Mart Supercenter will offer an expanded grocery department which may adversely impact the two grocery stores now operating in Coffeyville. To protect the City's 11th Street commercial district, it is recommended to that the inventory of land designated for commercial use surrounding the planned Wal-Mart Supercenter site be limited.

Retail Sales Trends

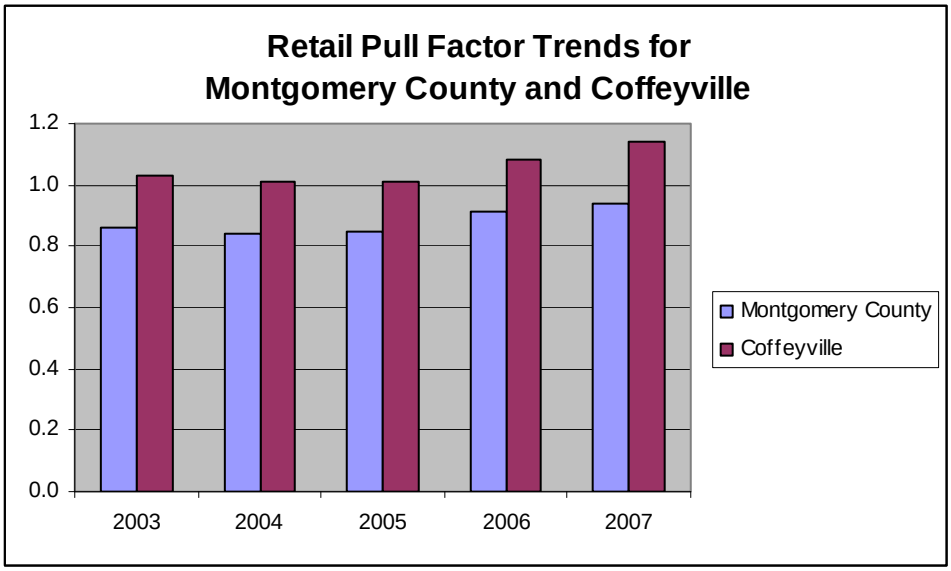
From 2000 to 2007 taxable retail sales in Coffeyville increased by approximately 14.8 percent, reaching $170 million for 2007. During the 7-year time period through 2006 annual gains in retail sales volumes ranged from -6.2 percent to 17.2 percent. The July 2007 flood impacted 71 businesses resulting in a decline in retail sales for the year of 4.5 percent.



The *Study of Retail Trade in Counties and Cities Across Kansas for Fiscal Year 2007* published by the Kansas Department of Revenue evaluates the retail draw of Kansas counties and cities. This report marks the 3rd pull factor report for counties and cities as prepared by the Kansas Department of Revenue. Prior reports were developed and published by the Kansas State University's Department of Agricultural Economics. The City Trade Pull Factor report provides different measures of retail market data for the counties and cities for fiscal year 2007, which represents the period July 1, 2006 through June 30, 2007. A pull factor is a measure of retail capture minus leakage, with a measure of 1.0 representing a perfect balance.

Coffeyville is located in Montgomery County. During fiscal year 2007 Coffeyville achieved a pull factor of 1.14 and captured 35.8 percent of all retail sales in Montgomery County, supporting its status as regional shopping destination. Over the 5-year period from fiscal year 2003 through fiscal year 2007 Coffeyville's pull factor increased by 11 percent which points to its status as a regional shopping area in southeast Kansas.

Montgomery County's pull factor has increased from 0.86 in fiscal year 2003 to 0.94 for fiscal year 2007. Despite this much improved pull factor Montgomery County still suffers from retail sales leakage. The bar chart below illustrates historical pull factor trends for both Montgomery County and Coffeyville.



These retail pull factor statistics suggest that Coffeyville can support continued escalating retail sales volumes by diversifying its retail mix and capturing additional retail sales leakage by county residents. A primary objective of the City of Coffeyville Comprehensive Plan is to enhance economic development of the area, with the retail sector being a critical component.

Retail Sales Opportunity Gap Analysis

The *RMP Opportunity Gap – Retail Stores Report 2008* published by Claritas, Inc. attempts to identify opportunities for additional retail store types for Coffeyville's 10-mile radius primary trade area. The report data is derived from two major sources. The demand data is derived from the Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics while the supply data is provided by the Census of Retail trade. The difference between demand and supply represents the opportunity gap or surplus available for each retail category in the specified reporting geography. When the demand is greater than the supply there is an opportunity gap for that retail category. A positive value signifies an opportunity gap, while a negative value signifies a surplus.

The *RMP Opportunity Gap – Retail Stores Report 2008* forecasts actual retail sales (excluding automobile sales) in 2008 for the primary trade area at approximately $134.4 million, the vast majority of which will occur in Coffeyville. Meanwhile, based on the primary trade area's population and income levels an estimated $211.7 million in retail sales is supportable, yielding an opportunity gap in retail sales of approximately $77.3 million. The opportunity gap increases to $101.8 million within the 15-mile secondary trade area and $140.3 million in the 20-mile tertiary trade area. This retail sales gap suggests the potential for Coffeyville to capture additional retail sales.

As outlined in the table below, those categories providing the greatest opportunity for capturing additional retail sales include building materials and supplies, grocery stores, department stores, pharmacies and drug stores, eating and drinking establishments, appliance and home electronics stores and clothing and accessories stores. The size and segmentation of the primary trade area's opportunity gap was likely a major reason for Wal-Mart's decision to construct a Supercenter in Coffeyville.

RMP Opportunity Gap by Retail Category: Primary Trade Area

Retail Categories	Demand - Supportable Consumer Expenditures	Supply - Actual Retail Sales Estimates	Opportunity Gap / (Surplus)
Building Materials and Supplies	$26,554,110	$7,746,419	$18,807,691
Grocery Stores	$30,166,196	$12,813,061	$17,353,135
Department Stores	$13,945,095	$4,091,721	$9,853,374
Pharmacies and Drug Stores	$13,503,817	$6,058,927	$7,444,890
Eating and Drinking Establishments	$23,251,453	$16,676,426	$6,575,027
Electronics and Appliance Stores	$5,561,624	$624,135	$4,937,489
Clothing and Accessories	$9,780,152	$5,040,952	$4,739,200
Furniture and Home Furnishings	$6,021,073	$3,152,159	$2,868,914
Books and Music Stores	$1,331,105	$6,299	$1,324,806
Sporting Goods Stores	$1,471,611	$297,025	$1,174,586

Source: Claritas, Inc. RMP Opportunity Gap - Retail Stores 2008.

Alternative Shopping Destinations

As evident by the primary trade area's large opportunity gap in retail sales, Coffeyville lacks a large and diverse retail market. Therefore, residents must drive to other major retail districts to satisfy much of their shopping needs. Three alternative shopping destinations were identified in an effort to identify prospective retailers for Coffeyville. Those shopping destinations surveyed include Owasso, Oklahoma; Joplin, Missouri and Pittsburg, Kansas. A comparison table of major retailers and junior anchors is provided in the table on page 16.

As the comparison table illustrates, the larger communities of Joplin, Missouri and Owasso, Oklahoma support the largest number of major retailers and junior anchors. Both of these communities serve as regional shopping destinations drawing customers from outside their city boundaries. Pittsburg, Kansas is a community of approximately 20,000 residents that draws retail customers from neighboring rural areas. While not comparable to either Joplin or Owasso, Pittsburg supports a sizable retail market and is an excellent example of the level of retail trade supportable by Coffeyville in coming years. Notable national retailers that currently operate stores in Pittsburg, Kansas but not in Coffeyville, Kansas include JC Penney, Home Depot, Big Lots, Hastings, Maurices, Payless ShoeSource and Aarons Rents.

Major retailers operating stores in Coffeyville, Kansas include Wal-Mart, Westco, Ace Hardware, Dollar Tree, Family Dollar and Hibbett Sports. According to Claritas, Inc. an estimated 16,731 people reside within a 10-mile radius of Coffeyville, increasing to 42,346 people within a 20-mile radius. Claritas, Inc. also estimated a current retail gap of $77.3 million (excludes automobile sales) within a 10-mile radius of Coffeyville. Therefore, the near-term potential exists to attract and support additional retailers to Coffeyville. Based on those major retailers and junior anchors currently operating within the three closest alternative shopping destinations, prospective retailers to Coffeyville include Sutherlands, Meek's, Big Lots, Dollar Tree, Aldi, Maurices, Payless ShoeSource and Aarons Rents.

Comparison of Major Retailers and Junior Anchors
Coffeyville vs. Alternative Shopping Destinations

City Population	Coffeyville 10,349	Pittsburg, KS 19,536	Owasso, OK 26,352	Joplin, MO 49,100	Prospective Retailers
Wal-Mart	X	X	X	X	
Target			X	X	
Kohl's			X	X	
Shopko				X	
Belk			X		
JC Penney		X	u/c	X	
Sears				X	
Sam's Club				X	
Home Depot		X		X	
Lowe's			X	X	
Sutherlands		X		X	X
Ace Hardware	X	X			
Meek's				X	X
Big Lots		X	X		X
Dollar General	X	X	X	X	
Dollar Tree		X	X	X	X
Family Dollar	X			X	
Aldi		X	X	X	X
Country Mart	X				
Dillon’s		X		X	
Food 4 Less				X	
Price Cutter				X	
Save-A-Lot	X			X	
Walgreens		X	X	X	
Academy Sports				X	
Hibbett Sports	X		X		
Dress Barn			X	X	
Fashion Bug			X	X	
Maurices		X	X	X	X
Payless ShoeSource		X	X	X	X
Shoe Carnival			X	X	
Hobby Lobby				X	
Michaels				X	
Bed Bath & Beyond				X	
Linens N Things			X		
Office Depot			X	X	
Office Max				X	
Books-a-Million				X	
Hastings Books Music		X		X	
Petsmart			X	X	
Best Buy			X	X	
Westco Home Furnishings	X	X		X	
Aarons Rents		X		X	X

Downtown Business Profile Comparisons

While downtown Coffeyville still supports government offices and a diverse mix of retailers and professional offices, it is in need of revitalization. The nearby communities of Parsons, Kansas and Independence, Kansas have successfully implemented downtown redevelopment strategies. To illustrate the potential for redevelopment, the current tenant mix of downtown Coffeyville has been compared with the downtown areas for both Parsons and Independence. A brief description of each downtown is provided in the text below with the tenant mix comparison summarized in the table on page 20.

Coffeyville, Kansas

Downtown Coffeyville is located one block north of 11th Street (U.S. 166), covering a 6-block area bounded by 8th Street to the north, 10th Street to the south, Patterson Street to the east and Elm Street to the west. Eighth Street through downtown Coffeyville once served as the major highway. Construction of U.S. 166 routed traffic to the south which has had an adverse impact on downtown's business climate. Downtown is plagued by a large inventory of vacant buildings in poor condition. In July 2007, downtown Coffeyville was named one of two Kansas communities to receive the designation as a Main Street Community by the National Trust of Historic Preservation. Downtown Coffeyville is also one of 23 designated Kansas Main Street Cities. Downtown Coffeyville, Inc. was established with the mission to strengthen the downtown economy and preserve the historic character of its buildings. During the 2007-2008 fiscal year over $1.0 million in renovations was invested in downtown Coffeyville, including renovation of the fountain.

The Dalton Museum and Perkins Building, site of the Dalton Raid in 1892, serve as tourist attractions for downtown Coffeyville. The historic Midland Theater built in 1928, along with the adjacent Alamo Building, are currently undergoing restoration. Other attractions and historic sites in Coffeyville include the Aquatic Center, Aviation Heritage Museum, Brown Mansion, Coffeyville Center for the Arts, Elmwood Cemetery and Old Jail Death Alley.

Sixty businesses were surveyed in downtown Coffeyville, including 30 retail and entertainment businesses and 30 government agencies and professional services firms. With the exception of Westco Home Furnishings the retail businesses are locally-owned merchants. This local flavor adds to the unique character of downtown Coffeyville. However, no major cluster of one or more business types operate downtown that would create a true identity/image for downtown. Restaurants and bars account for the largest percentage of retail establishments, though only a total of five are open for business. Government agencies and professional service firms account for one-half of downtown's tenant mix. Lawyers, community organizations, banks, financial services and real estate account for 60 percent of all office tenants. Government offices operating in downtown Coffeyville include Coffeyville City Hall, Coffeyville Auto Tag Office, Montgomery County Health Department, Four County Medical Health Center and United State Post Office.

Parsons, Kansas

Parson, Kansas is a town of 11,122 residents located approximately 40 miles northeast of Coffeyville. Downtown Parsons encompasses a four block area of Main Street from U.S. 59 west to Central Avenue. A tornado hit downtown Parsons in 2000. Since that time with the help of the Kansas Main Street Program downtown Parsons has been revitalized. Since being designated a Main Street city in 2002, downtown Parsons has created 27 new businesses, undertaken 34 building renovations and completed a $3.4 million streetscape project. The major streetscape project included the removal of the existing pedestrian mall/plaza and construction of a new two-lane street with associated parking, corner extensions, infrastructure improvements and a range of streetscape amenities and street trees that accentuate the existing historic architecture. Through its efforts Parsons became one of only four Main Street Communities in the country to receive the 2006 Great American Main Street Award.

As a designated Main Street city, Parsons receives technical assistance from the Kansas Main Street staff in the National Main Street Center's four-point approach to downtown revitalization: Organization, Promotion, Design and Economic Restructuring. In addition, Parsons uses "Incentives without Walls" funds from Kansas Main Street to provide low-interest loans to assist property owners with storefront and second-story renovations.

Forty-five businesses were surveyed in downtown Parsons, including 28 retail businesses and 17 personal and professional services firms. Parsons City Hall is located in downtown on Main Street. Radio Shack is the only national retailer operating in downtown Parsons. Eating and drinking places, furniture and home furnishings, hair salons and jewelers account for 46 percent of downtown's retail businesses. Personal and professional service firms account for over one-third of downtown's tenant mix. Banks and financial services account for 24 percent of all office tenants. The tenant mix supports the market positioning of downtown Parsons as an entertainment and specialty shopping district.

Independence, Kansas

Independence, Kansas is a town of 9,722 residents located approximately 24 driving miles northwest of Coffeyville. Independence is the county seat for Montgomery County. The downtown area is located at the intersection of Main Street and Pennsylvania Avenue. Streetscape improvements have been completed on Pennsylvania Avenue, including wide sidewalks, trees, trash cans, benches, public art, lights, banners and clock tower.

The Independence Downtown Historic District was listed in National Register on July 19, 2006 and consists of 115 buildings (95 contributing and 20 noncontributing) and includes seven properties listed in the National Register. The district was approved for its association with the historical development of Independence and the three defined periods of significance: the *Settlement period,* from 1876-1872, the *Agricultural and Commercial Development Period,* from 1873-1900, and the *Gas and Oil Boom,* from 1901-1929. These three periods in history mark the rise and development of Independence as a center of commerce in southeastern Kansas. The Independence Downtown Historic District is also significant for its architecture that features styles from the Late Victorian period into the early twentieth century.

The Booth Theatre opened in 1927 and remained in operation until April 20, 1980. The Booth Theatre Foundation was established in 1991 for the purpose of preserving, restoring and operating the 1,100-seat theatre as a performing arts and motion picture playhouse. The Booth Theatre was listed on the National Register of Historic Places on October 13, 1988. Reconstruction began in 2007 and is currently underway on the renovation of the theatre.

A total of 99 businesses were surveyed in downtown Independence, including 58 retail businesses and 41 personal and professional services firms. Independence City Hall and Memorial Hall & Civic Center are located in downtown. Several national retailers operate in downtown Independence, including Sears appliances, Westco Furniture Appliances, Radio Shack, Ace Hardware, Hallmark Cards, Rexall Drugs and Dollar General. Eating and drinking places, television and appliances, apparel, hair salons/barber, gifts/crafts and telecommunications account for 47 percent of downtown's retail businesses. Personal and professional service firms account for two-thirds of downtown's tenant mix. Financial services, insurance and real estate and health care/medical firms account for 45 percent of all office tenants. The tenant mix supports the market positioning of downtown Independence as a government center and specialty shopping district.

Conclusions

A comparison of the business tenant mix for the downtowns of Coffeyville, Parsons and Independence is summarized in the table on page 19. In terms of population all three communities are roughly the same size. Independence supports the largest and most diverse downtown with 99 businesses, due in large part to its status as the Montgomery County seat. The retail markets for both downtown Coffeyville and downtown Parsons are similar in size and mix, while downtown Coffeyville supports a large number of personal and professional service firms.

Based on the findings of the business tenant mix comparison prospective retail and office tenants were identified for downtown Coffeyville. Prospective retail categories include eating and drinking places, dance and music studios, home electronics and appliances, antiques, coffee shop, books and music, hair salon/barber, and gifts and crafts. These retail categories are designed to complement downtown Coffeyville's current retail base as well as cater more to the local tourism market. These prospective tenants along with the existing retailers would create a cluster of home furnishings and entertainment businesses. Prospective office tenants include banks and financial services, insurance, lawyers and travel agents.

Downtown Business Profile Comparisons
Coffeyville vs. Comparable Downtowns

Retail Business Category	# of Businesses Coffeyville	Parsons	Independence	Prospective Tenants	Office Category	# of Businesses Coffeyville	Parsons	Independence	Prospective Tenants
Arts and Entertainment	4		2		Banks & Financial Services	5	4	12	X
Dance and Music Studios			2	X	Insurance	1	2	4	X
Eating and Drinking Places	4	4	6	X	Real Estate	3	1	3	
Home Furnishings	2	3	2		Construction	1			
Home Electronics / Appliances	2	1	6	X	Government Offices	5	3	7	
Hardware	1		1		Lawyers	6	1	2	X
Antiques	1		1	X	Community Organizations	4	1	1	
Apparel and Accessories	3	2	4		Employment Agency	1	1	1	
Bridal Shop		2			Medical / Dental	2	1	2	
Office Supplies	1	2	1		Newspaper	1			
Telecommunications			4		Museum	1		1	
Coffee Shop		1	1	X	Technology		2		
Books and Music		2		X	Radio Station		1		
Hair Salon / Barber	2	3	4	X	Travel Agent			2	X
Nail and Tanning Salons			3		Health Care / Counseling			6	
Pharmacy			1						
Jewelry	2	3	1						
Florist	1								
Sporting Goods	1	1	1						
Health and Fitness	3	1							
Gifts and Crafts		1	4	X					
Specialty Shops			4						
Dry Cleaners			1						
Printers and Graphics	2	1							
Framing		1							
Computer Repair			2						
Discount Store			1						
Party Supplies			1						
Liquor Store			1						
Cab Company			1						
Tattoos			1						
Photographer			1						
Misc.	1		1						
Totals	30	28	58			30	17	41	

Source: Canyon Research Southwest, Inc.

Forecast Retail Space Demand

Retail trade areas are usually divided into three categories or zones of influence, including the primary, secondary and tertiary. Coffeyville's primary retail trade area is defined as the geographic area within a 10-mile radius from the intersection of U.S. 169 and U.S. 166. The secondary and tertiary trade areas expand out in a 15- to 20-mile radius.

A *Retail Marketability Analysis* is designed to quantify a particular trade area's potential to increase its inventory of occupied shop space over a specified period of time. Retail space demand from 2008 to 2025 is forecast for the primary, secondary and tertiary trade areas to provide an understanding of future competitive market conditions impacting the City of Coffeyville. This report assumes that the distribution of retail sales is distributed at 75 percent for the primary, 15 percent for the secondary and 10 percent for the tertiary trade area.

Primary Trade Area

Supportable retail sales are a function of consumer population and income levels. Claritas, Inc. estimates the primary trade area's current population at 16,731 residents and per capita income of $19,547, yielding total personal income of approximately $327 million. Based on findings of the *Study of Retail Trade in Counties and Cities Across Kansas for Fiscal Year 2007* published by the Kansas Department of Revenue, the statewide rate of retail spending equivalent to 35.7 percent of total personal income. However, the statewide average personal income for 2007 of $36,483 exceeds the primary trade area by 87 percent. Therefore, a much higher percentage of primary trade area residents' income is devoted to retail sales. For the purpose of this report retail spending equivalent to 45 percent of total personal income was applied to the primary trade area. Therefore, in 2008 supportable non-automotive sales from primary trade area residents are estimated at $147.2 million.

Out-of-town retail sales were measured by quantifying the retail pull factor of Coffeyville, Kansas. The *Study of Retail Trade in Counties and Cities Across Kansas for Fiscal Year 2007* published by the Kansas Department of Revenue estimated the Coffeyville retail pull factor at 1.14, yielding additional potential non-automotive sales by visitors of $20.6 million in 2008. Together with supportable non-automotive retail sales from residents, during 2008 the primary trade area is estimated to support retail sales, excluding automotive sales, of $167.8 million.

Claritas, Inc. estimates primary trade area retail sales (excluding automotive and non-store sales) for 2008 of $130.4 million. Therefore, for 2008 the primary trade area is estimated to suffer retail sales leakage of $37.4 million. This compares to the retail sales opportunity gap (excluding automobile sales) forecast by Claritas, Inc. at $77.3 million for 2008. At an average sales rate of $225 per square foot garnered from *Dollars & Cents of Shopping Centers 2008*, the primary trade area's forecast retail sales leakage is sufficient to support an additional 166,200 square feet of retail space.

The U.S. Census Bureau reported that the population for Coffeyville declined by 5.5 percent from April 1, 2000 to July 1, 2005, reaching an estimated 10,349 residents. From July 1, 2005 to July 1, 2007 the trend in declining population reversed with Coffeyville experiencing a 0.64 percent increase in population. During the same two years Montgomery County's population increased by 0.7 percent. The Kansas Department of Commerce does not publish population

forecasts by community. Therefore, population growth for the primary trade area was estimated based on a modest average annual growth rate of 0.3 percent, reaching 17,086 residents by 2015 and 17,606 residents by 2025. Trends in per capita income growth were based on forecasts published by Claritas, Inc. This steady population and income growth will generate additional retail sales and demand for commercial space.

Based on forecast population growth of 355 residents and continued capture of retail sales from non-residents at a pull factor of 1.14, by the year 2015 the primary trade area is forecast to capture additional retail sales of $4.2 million. At an average sales rate adjusted for inflation of $253 per square foot, through 2015 the primary trade area is forecast to garner retail sales sufficient to support an additional 16,756 square feet of retail space.

From 2016 through 2025, the primary trade area is forecast to capture additional retail sales of $7.1 million in based on forecast population growth of 520 residents and continued capture of retail sales from non-residents at a pull factor of 1.14. At an average sales rate adjusted for inflation of $294 per square foot, from 2015 through 2025 the primary trade area is forecast to garner retail sales sufficient to support an additional 24,001 square feet of retail space.

In summary, from 2008 through 2025 the primary trade area is forecast to support an additional 206,957 square feet of retail space. The current pent-up demand for retail space is sufficient to warrant feasible replacement of the existing Wal-Mart store in Coffeyville with the planned 200,000 square foot Wal-Mart Supercenter as well as the construction of the retail development planned by Kessinger Hunter immediate adjacent to the proposed Wal-Mart Supercenter.

Forecast Retail Space Demand; Primary Trade Area

Retail Sales Formula	2008	Growth 2008 - 2015	Growth 2016 - 2025
Resident Population	16,731	355	520
Per Capita Income	$19,547	$23,278	$26,452
Total Personal Income	$327,040,857	$8,263,690	$13,755,040
% Income Spent on Goods & Services	45%	45%	45%
Supportable Retail Sales – Trade Area Residents	$147,168,386	$3,718,661	$6,189,768
Retail Pull Factor – Coffeyville, Kansas	1.14	1.14	1.14
Estimated Retail Sales - Visitors to Trade Area	$20,603,574	$520,612	$866,568
Total Estimated Retail Sales – Trade Area	$167,771,960	$4,239,273	$7,056,336
Less: Estimated 2008 Retail Sales for Trade Area	-$130,377,005		
Potential Capture of Additional Retail Sales	$37,394,955	$4,239,273	$7,056,336
Average Retail Sales Per Square Foot	$225	$253	$294
Supportable Additional Retail Space (Sq. Ft.)	**166,200**	**16,756**	**24,001**

Source: Canyon Research Southwest, Inc.

Secondary Trade Area

Coffeyville's secondary retail trade area extends past the 10-mile radius primary trade area to a 15-mile radius. Claritas, Inc. estimates the secondary trade area's current population at 11,937 residents and per capita income of $19,273, yielding total personal income of approximately $230 million. At retail spending equivalent to 45 percent of total personal income, in 2008 supportable non-automotive retail sales for the secondary trade area is estimated at $103.5 million. Claritas, Inc. estimates secondary trade area retail sales for 2008 of $82.1 million, exclusive of automotive and non-store sales). Therefore, for 2008 the secondary trade area is estimated suffer retail sales leakage of $21.4 million. At an average sales rate of $225 per square foot the secondary trade area's forecast retail sales leakage is sufficient to support an additional 95,092 square feet of retail space.

Population growth for the secondary trade area was estimated based on a modest average annual growth rate of 0.3 percent, reaching 17,086 residents by 2015 and 17,606 residents by 2025. Trends in per capita income growth were based on forecasts published by Claritas, Inc.

By the year 2015 the primary trade area is forecast to capture additional retail sales of $2.6 million. At an average sales rate adjusted for inflation of $253 per square foot, through 2015 the secondary trade area is forecast to garner retail sales sufficient to support an additional 10,274 square feet of retail space.

From 2016 through 2025, the secondary trade area is forecast to capture additional retail sales of $4.3 million. At an average sales rate adjusted for inflation of $294 per square foot, from 2015 through 2025 the secondary trade area is forecast to garner retail sales sufficient to support an additional 14,733 square feet of retail space.

In summary, from 2008 through 2025 the secondary trade area is forecast to support an additional 120,099 square feet of retail space.

Forecast Retail Space Demand; Secondary Trade Area

Retail Sales Formula	2008	Growth 2008 - 2015	Growth 2016 - 2025
Resident Population	11,937	253	371
Per Capita Income	$19,273	$22,832	$25,945
Total Personal Income	$230,061,801	$5,776,496	$9,625,595
% Income Spent on Goods & Services	45%	45%	45%
Supportable Retail Sales	$103,527,810	$2,599,423	$4,331,518
Less: Estimated 2008 Retail Sales for Trade Area	-$82,132,063		
Potential Capture of Additional Retail Sales	$21,395,747	$2,599,423	$4,331,518
Average Retail Sales Per Square Foot	$225	$253	$294
Supportable Additional Retail Space (Sq. Ft.)	**95,092**	**10,274**	**14,733**

Source: Canyon Research Southwest, Inc.

Tertiary Trade Area

Coffeyville's tertiary retail trade area extends past the 15-mile radius primary and secondary trade areas to a 20-mile radius. Claritas, Inc. estimates the tertiary trade area's current population at 13,678 residents and per capita income of $19,610, yielding total personal income of approximately $268.2 million. At retail spending equivalent to 45 percent of total personal income, in 2008 supportable non-automotive retail sales for the tertiary trade area is estimated at $120.7 million. Claritas, Inc. estimates tertiary trade area retail sales for 2008 of $95.8 million, exclusive of automotive and non-store sales). Therefore, for 2008 the tertiary trade area is estimated suffer retail sales leakage of $24.9 million. At an average sales rate of $225 per square foot the tertiary trade area's forecast retail sales leakage is sufficient to support an additional 110,867 square feet of retail space.

Population growth for the tertiary trade area was estimated based on a modest average annual growth rate of 0.3 percent, reaching 17,086 residents by 2015 and 17,606 residents by 2025. Trends in per capita income growth were based on forecasts published by Claritas, Inc.

By the year 2015 the tertiary trade area is forecast to capture additional retail sales of $3.0 million. At an average sales rate adjusted for inflation of $253 per square foot, through 2015 the primary trade area is forecast to garner retail sales sufficient to support an additional 11,897 square feet of retail space.

From 2016 through 2025, the tertiary trade area is forecast to capture additional retail sales of $5.0 million. At an average sales rate adjusted for inflation of $294 per square foot, from 2015 through 2025 the tertiary trade area is forecast to garner retail sales sufficient to support an additional 17,043 square feet of retail space.

In summary, from 2008 through 2025 the tertiary trade area is forecast to support an additional 139,807 square feet of retail space.

Forecast Retail Space Demand; Tertiary Trade Area

Retail Sales Formula	2008	Growth 2008 - 2015	Growth 2016 - 2025
Resident Population	13,678	290	425
Per Capita Income	$19,610	$23,064	$26,200
Total Personal Income	$268,225,580	$6,688,560	$11,135,000
% Income Spent on Goods & Services	45%	45%	45%
Supportable Retail Sales	$120,701,511	$3,009,852	$5,010,750
Less: Estimated 2008 Retail Sales for Trade Area	-$95,756,532		
Potential Capture of Additional Retail Sales	$24,944,979	$3,009,852	$5,010,750
Average Retail Sales Per Square Foot	$225	$253	$294
Supportable Additional Retail Space (Sq. Ft.)	**110,867**	**11,897**	**17,043**

Source: Canyon Research Southwest, Inc.

Coffeyville's Capture of Total Retail Space Demand

Through the year 2025 the total demand for retail space within the primary, secondary and tertiary trade areas is forecast at approximately 466,863 square feet. Forecast retail space demand by trade area is 206,957 square feet for the primary, 120,099 square feet for the secondary and 139,807 square feet for the tertiary. Given the composition of the trade area retail market the City of Coffeyville is forecast to capture 75 to 85 percent of the primary trade area's forecast retail sales and retail space demand through the year 2025. Meanwhile, Coffeyville is anticipated to capture 35 to 40 percent of secondary trade area's retail space demand and 15 to 20 percent and the tertiary trade area's retail space demand.

As summarized in the table below, from 2008 through 2025 the City of Coffeyville is forecast to support an additional 218,223 to 251,914 square feet of retail space. Under both the conservative and optimistic demand scenarios the primary trade area accounts for approximately 70 to 71 percent of the total retail space demand.

Forecast Retail Space Demand
Coffeyville, Kansas; 2008 – 2025

	Trade Area			
	Primary	Secondary	Tertiary	Totals
2008	166,200	95,092	110,867	372,159
2008 - 2015	16,756	10,274	11,897	38,927
2016 - 2025	24,001	14,733	17,043	55,777
Totals	206,957	120,099	139,807	466,863
Coffeyville Capture Rates - Conservative	75%	35%	15%	46.74%
Retail Space Demand - Coffeyville	**155,218**	**42,035**	**20,971**	**218,223**
% of Total Space Demand	71.13%	19.26%	9.61%	100.00%
Coffeyville Capture Rates - Optimistic	85%	40%	20%	53.96%
Retail Space Demand - Coffeyville	**175,913**	**48,040**	**27,961**	**251,914**
% of Total Space Demand	69.83%	19.07%	11.10%	100.00%

Source: Canyon Research Southwest, Inc.

The existing Wal-Mart store in Coffeyville, Kansas will be replaced by a 200,000 square foot Wal-Mart Supercenter. The new Wal-Mart Supercenter will be approximately 90,000 square feet larger than the existing Wal-Mart store. Therefore, based on the retail space demand forecasts provided in the above table, accounting for the new Wal-Mart Supercenter, through the year 2025 Coffeyville is forecast to absorb approximately 128,223 to 161,914 square feet of retail space.

Retail Development Site Evaluation

The City of Coffeyville was evaluated for the ability to support retail development based on the following site selection criteria: visibility; accessibility; traffic volumes; parcel size requirements; level of direct competition and trade area demographics.

Visibility

Visibility and exposure have a significant influence on a shopping center's and retail business' achievable retail sales volumes. All shopping center types and freestanding retailers should possess major arterial frontage. National and regional big-box retailer, restaurant, convenience store and bank chains also require major arterial frontage. Properties fronting onto 11th Street (U.S. 166) offer excellent major arterial visibility, satisfying the site exposure requirement of prospective shopping center and freestanding retailer sites. Those properties located in downtown Coffeyville lack major arterial frontage which will be a hurdle in attracting additional businesses.

Accessibility

The larger the shopping center format the larger the serviced trade area. U.S. 166 and 169 serve as Coffeyville's primary transportation corridors and house most the city's retail establishments. The portion of east U.S. 166 affected by the July 2007 flood now supports a large inventory of vacant land available for commercial development. This portion of east U.S. 166 offers sufficient access to facilitate the development of strip centers and freestanding retailers. The traditional west U.S. 166 corridor benefits from excellent access, visibility and the presence of a large concentration of big-box retailers. A Wal-Mart Supercenter is planned for the far eastside of Coffeyville at the intersection of U.S. 166 and 5300 Road. The site benefits from excellent access and visibility, and given Wal-Mart's dominant market position offers the potential to attract additional retail development.

Traffic Counts

The vehicular traffic counts on arterials that flow past the site are important when evaluating a potential retail development site. The Kansas Department of Transportation reported July 2006 average daily traffic counts for the City of Coffeyville. Eleventh Street (U.S. 166) and Walnut Street (U.S. 169) serve as Coffeyville's principal transportation corridors supporting the highest traffic volumes.

Eleventh Street (U.S. 166) west of Walnut Street supports the highest traffic volumes in Coffeyville with average daily traffic counts ranging from 6,350 to 13,720 vehicles. Eleventh Street east of Walnut Street also supports high traffic volumes averaging from 10,280 to 11,640 vehicles per day. Finally, Walnut Street south of 11th Street supports an average daily traffic count of 7,860 to 7,900 vehicles. These traffic volumes provide sufficient exposure for anchored centers, strip centers and freestanding retailers. The strong traffic counts along east 11th Street bode well for the suitability of the flood affected area to attract retail development.

Parcel Size and Dimensions

Prospective retail development formats for the City of Coffeyville include big-box retailers, strip or neighborhood shopping centers and freestanding restaurants, bank branches, convenience store and shop space. Suitable sites typically range in size from 1 to 3 acres for strip centers and 5 to 12 acres for neighborhood centers. Freestanding junior anchors of less than 25,000 square feet generally require approximately 3.0 acres while major anchors of 50,000 to 200,000 square feet require 5 to 25 acres. Each retail development format also requires a rectangular shape and an orientation towards the most prominent adjacent arterial. Freestanding pads sites capable of accommodating restaurant, convenience store and bank branch uses generally occupy 1.0+ acres.

Site Requirements by Shopping Center Format

Center Type	Building Area Sq. Ft.	Land Area Acres	Anchor Ratio*	Primary Trade Area**
Strip Center	5,000 – 25,000	1 – 3	0%	1-2 miles
Neighborhood Center	30,000 – 100,000	5 – 12	30-50%	2-3 miles
Community Center	100,000 – 350,000	10 – 40	40-60%	3-6 miles
Super Community	250,000 – 500,000	25 – 50	50-70%	5-7 miles
Power Center	250,000 – 600,000	25 – 80	75-90%	5-10 miles
Lifestyle Center	300,000-700,000	30 – 80	75-90%	5-10 miles

Notes: * Denotes the share of a center's total space occupied by anchor tenants.
** The area from which 60 – 80% of the center's sales originate.
Source: International Council of Shopping Centers.

Based on existing zoning, access, visibility and traffic counts 11th Street appears to be a suitable location for future retail development in Coffeyville. West 11th Street is already highly developed with future retail uses limited to the construction of small freestanding buildings and strip centers as well as the redevelopment of such existing structures as the Wal-Mart store that will be replaced in late 2009 by a new Wal-Mart Supercenter on the far eastside of Coffeyville.

The flood affected area along east 11th Street offers the potential to support a variety of retail uses, including major anchors, junior anchors of less than 25,000 square feet, neighborhood centers, strip centers and freestanding bank branches, convenience stores and restaurants. The assemblage of entire city blocks and the abandonment of street-right-of-way will be required to accommodate junior anchors and neighborhood centers.

An emerging retail node is planned at the far eastside of Coffeyville at the intersection of U.S. 166 and 5300 Road. Wal-Mart is planning a 200,000 square foot Supercenter and an adjacent 13-acre site is planned for a 50,000 square foot regional home improvement store. Given the market draw of a Wal-Mart Supercenter this node could attract further retail development.

In addition to the prospective retail development sites, several existing commercial structures in downtown Coffeyville are better suited for revitalization. The goal in revitalizing these properties is to retain some of downtown's historic character. The challenge is to successfully facilitate financially feasible revitalization.

Trade Area Demographics

Coffeyville's primary trade area is defined as a 10-mile radius from the site, increasing to a 20-mile radius for the tertiary trade area (illustrated below). Demographic characteristics for the primary, secondary and tertiary trade area population from the intersection of 11th and Walnut Streets as provided by Claritas, Inc. are summarized in the table on page 29.

The trade area's large adolescent population is sufficient for supporting the sales of apparel and accessories; groceries; sporting goods; music; home electronics; eating and drinking places; and general merchandise. The large population ages 25 to 44 are in their principal consumer years, favors hardware; furniture and home furnishings; home electronics; department stores; and eating and drinking places. The large senior population generates demand for medical goods and services. The large number of households earning $25,000 to $49,999 per year is attractive to value-oriented retailers. These consumption patterns and demographic characteristics bode well for Coffeyville's potential to support a more diverse retail market.

Coffeyville's Retail Trade Area

10-, 15- and 20-Mile Radius Trade Area Demographics – 2008

Demographic Characteristic	10-Mile Radius	15-Mile Radius	20-Mile Radius
Total Population	16,731	28,668	42,346
Households	6,975	11,830	17,448
Population by Age			
0-9	2,085	3,572	5,319
10-17	1,721	3,055	4,561
18-24	1,608	2,811	4,002
25-34	1,902	3,263	4,735
35-44	1,895	3,409	5,032
45-54	2,278	4,041	6,049
55-64	2,062	3,465	5,236
65+	3,177	5,051	7,414
Median Age	40.53	39.79	40.08
Average Age	40.90	40.25	40.26
Household Income			
Less than $15,000	17.95%	17.63%	17.29%
$15,000 - $24,999	16.56%	16.06%	16.15%
$25,000 - $34,999	13.71%	13.90%	13.59%
$35,000 - $49,999	19.33%	18.52%	18.27%
$50,000 - $74,999	17.29%	19.26%	19.22%
$75,000 - $99,999	7.97%	7.87%	8.20%
$100,000 - $149,999	5.39%	5.00%	5.44%
$150,000 - $249,999	1.13%	1.16%	1.13%
$250,000 - $499,999	0.57%	0.50%	0.54%
$500,000+	0.09%	0.09%	0.16%
Average Household Income	$45,981	$46,011	$47,029
Median Household Income	$36,384	$36,954	$37,440
Per Capita Income	$19,547	$19,273	$19,610

Source: Claritas, Inc.

Direct Competition

Coffeyville serves as a major retail destination for Montgomery County. Eleventh Street (U.S. 166) is Coffeyville's primary commercial corridor with the largest concentration of retail businesses operating west of Walnut Street (U.S. 169). West 11th Street houses a mix of restaurants, convenience stores, bank branches, strip and anchored centers and big-box retailers. Restaurant chains operating along U.S. 166 include Arby's, KFC, Long John Silver's, McDonalds, Pizza Hut, Sonic, Subway and Taco Bell. Major retailers operating stores along 11th Street include Wal-Mart, Westco, Ace Hardware, Dollar Tree, Family Dollar and Hibbett Sports. A new 200,000 square foot Wal-Mart Supercenter is scheduled to open by fall 2009 in Coffeyville.

Alternative shopping destinations for Coffeyville residents include Joplin, Missouri; Owasso, Oklahoma; and Bartlesville, Oklahoma, all of which support a large inventory of big-box retailers. Trade area population and income levels preclude Coffeyville from supporting a retail market equivalent to these three alternative shopping destinations.

Sixty businesses were surveyed in downtown Coffeyville, equally distributed among retail businesses and professional services firms. The retail businesses are primarily locally-owned merchants, adding to the attraction of downtown Coffeyville. However, the absence of a cluster of one or more business types precludes downtown from creating a true identity/image. Prospective retail categories in downtown Coffeyville include eating and drinking places, dance and music studios, home electronics and appliances, antiques, coffee shop, books and music, hair salon/barber, and gifts and crafts.

This report concludes that the City of Coffeyville offers commercial properties suitable for the development of new retail space and the revitalization of existing structures. Favorable site characteristics include the necessary parcel size and orientation, excellent visibility and exposure, limited direct competition and favorable trade area demographics. Eleventh Street (U.S. 166) will remain as Coffeyville's prominent commercial corridor. The flood affected area on east 11th Street offers an excellent opportunity to support freestanding junior anchors, neighborhood center, strip centers, restaurants, banks branches and convenience stores. The pending construction of a Wal-Mart Supercenter at the intersection of U.S. 166 and 5300 Road on the far eastside of Coffeyville will likely create an emerging retail node.

Conclusions

Coffeyville, Kansas serves as a major shopping destination for residents of Montgomery County. Coffeyville's primary trade area is defined as a 10-mile radius from the city, increasing to a 20-mile radius for the secondary and tertiary trade areas. Coffeyville's retail trade pull factor of 1.14 supports its status as a shopping destination, capturing retail sales at a rate 14 percent above the statewide average. From 2000 to 2007 taxable retail sales in Coffeyville increased by approximately 14.8 percent, reaching $170 million for 2007. The July 2007 flood impacted 71 businesses resulting in a decline in retail sales for the year of 4.5 percent.

The *RMP Opportunity Gap – Retail Stores Report 2008* published by Claritas, Inc. identifies those categories providing the greatest opportunity for capturing additional retail sales in Coffeyville as building materials and supplies, grocery stores, department stores, pharmacies and drug stores, eating and drinking establishments, appliance and home electronics stores and clothing and accessories stores.

As evident by the primary trade area's large retail sales leakage, Coffeyville lacks a large and diverse retail market. Residents must drive to other major retail districts to satisfy much of their shopping needs. Alternative shopping destinations include Owasso, Oklahoma; Bartlesville, Oklahoma and Joplin, Missouri. Prospective retailers for Coffeyville include Sutherlands, Meek's, Big Lots, Dollar Tree, Aldi, Maurices, Payless ShoeSource and Aarons Rents.

Downtown Coffeyville is located one block north of 11th Street (U.S. 166), covering a 4-block area west of Walnut Street. Downtown is plagued by a large inventory of vacant buildings in poor condition located primarily on 9th Street. The Dalton Museum and Perkins Building, site of the Dalton Raid in 1892, serve as tourist attractions for downtown Coffeyville. Sixty businesses were surveyed in downtown Coffeyville, including 30 retail and entertainment businesses and 30 government agencies and professional services firms. However, the absence of a cluster of one or more business types precludes downtown from creating a true identity/image. Prospective retail and office tenants for downtown Coffeyville, including eating and drinking places, dance and music studios, home electronics and appliances, antiques, coffee shop, books and music, hair salon/barber, gifts and crafts, banks and financial services, insurance, lawyers and travel agents.

From 2008 through 2025 Coffeyville's retail trade area is forecast to support an additional 218,223 to 251,914 square feet of retail space. The primary trade area is anticipated to account for approximately 70 to 71 percent of the total retail space demand. Meanwhile, the secondary trade area is anticipated to account for approximately 19 percent of the total retail space demand with the tertiary trade area accounting for approximately 10 to 11 percent.

The City of Coffeyville offers commercial properties suitable for the development of new retail space and the revitalization of existing structures. Favorable site characteristics include the necessary parcel size and orientation, excellent visibility and exposure, limited direct competition and favorable trade area demographics. Eleventh Street (U.S. 166) will remain as Coffeyville's prominent commercial corridor. The flood affected area on east 11th Street offers an excellent opportunity to support future retail development. The pending construction of a Wal-Mart Supercenter at the intersection of U.S. 166 and 5300 Road on the eastern edge of Coffeyville will likely stimulate an emerging retail node.

CONCLUSIONS AND RECOMMENDATIONS

Based on the findings of the *Retail Market Feasibility Study*, study recommendations include the following:

- Quantify the supportable near- and long-term inventory of new retail space in Coffeyville.

- Identify potential near- and long-term development and redevelopment opportunities for Coffeyville, including future growth locations and potential retail development formats. Emphasis is placed on identifying revitalization opportunities for downtown Coffeyville.

Forecast Retail Space Demand

Through the year 2025 the total demand for retail space within Coffeyville's primary, secondary and tertiary trade areas is forecast at approximately 466,863 square feet. Forecast retail space demand by trade area is 206,957 square feet for the primary, 120,099 square feet for the secondary and 139,807 square feet for the tertiary. Given the composition of the trade area retail market the City of Coffeyville is estimated to capture 75 to 85 percent of the primary trade area's forecast retail space demand, 35 to 40 percent of secondary trade area's retail space demand and 15 to 20 percent and the tertiary trade area's retail space demand.

Based on these assumptions, from 2008 through 2025 the City of Coffeyville is forecast to support an additional 218,223 to 251,914 square feet of retail space. The primary trade area is anticipated to account for approximately 70 to 71 percent of the total retail space demand. Meanwhile, the secondary trade area is anticipated to account for approximately 19 percent of the total retail space demand with the tertiary trade area accounting for approximately 10 to 11 percent.

Given the large inventory of vacant buildings within downtown Coffeyville, any substantial retail space absorption will not require the construction of new space. At conservative capture rates of 5 to 10 percent of trade area retail space demand, from 2008 through 2025 downtown Coffeyville would support approximately 10,911 to 25,191 square feet.

Retail Development Opportunities

Based on the study findings four retail development opportunities have been identified for Coffeyville, including: 1) West 11th Street; 2) flood affected area along east 11th Street; 3) emerging retail node at U.S. 166 and 5300 Road; and 4) downtown revitalization.

West 11th Street

Eleventh Street west of Walnut Street now represents Coffeyville's primary commercial corridor housing a wide variety of shopping centers and freestanding retailers. By late 2009 the Wal-Mart store at the far western edge of 11th Street is scheduled to close upon completion of a new Wal-Mart Supercenter on the far eastside of Coffeyville. Despite the pending loss of its largest retailer the west 11th Street corridor should remain as Coffeyville's primary commercial district.

The anchored and strip centers located along west 11th Street are all fully occupied. The only significant vacancy is the recent closure of the Wendy's restaurant. Constraints hindering large-scale retail development along west 11th Street include the absence of suitable sites and presence of the MO-PAC Railroad line that parallels the south side of 11th Street. Future development opportunities include freestanding junior anchors, strip centers and small out parcels accommodating convenience stores, bank branches and restaurants. Redevelopment opportunities include the re-use of the soon to be vacated Wal-Mart store, with possible formats including subdividing the space to accommodate smaller tenants, conversion into a municipal use or razing the structure to facilitate shopping center development. To improve the exposure and revitalization efforts of downtown the existing properties on the north side of 11th Street adjacent to the downtown area could be redeveloped.

Flood Affected Area

On July 1, 2007, Coffeyville was hit by the worst flood in its 139 year history when the Verdigris River topped the levee by more than four feet. A reported 459 homes and 71 businesses on the city's east side were affected by the flood waters and oil. As a result of the oil release, Coffeyville Resources has purchased 313 of the 327 homes in the flood affected area. These homes have been demolished. Deed restrictions have been placed on the purchased property that precludes the future construction of new housing.

East 11th Street serves as one of Coffeyville's major gateways and defines the perception of the community. As of the date of this report just 28 businesses have re-opened or are being rebuilt within the flood affected area. The scattering of commercial structures and large inventory of vacant land paints a poor picture for Coffeyville. Such notable businesses as Best Western, Days Inn and Save-a-Lot have successfully re-opened within the flood affected area, giving hope that more businesses will follow.

Considerable vacant land now exists within the 5-block area between Pine Street and 8th Street that is suitable for commercial development, offering excellent access, visibility and exposure. Site characteristics are sufficient to accommodate a mix of strip centers, anchor tenants and small lots designed for restaurants, bank branches and convenience stores.

Emerging Retail Node

An emerging retail node will develop in Coffeyville on U.S. 166 east of U.S. 169. Two retail developments are planned at this location including a 200,000 square foot Wal-Mart Supercenter as well as a 50,000 square foot regional home improvement store and 25,000 to 30,000 square feet of small shops on an adjacent 13-acre parcel. The Kansas Department of Transportation reports the average daily traffic count on U.S. 166 east of U.S. 169 at just 2,940 vehicles. U.S. 169 north of U.S. 166 supports an average daily traffic count of 7,300 vehicles and is planned to be expanded to a 4-lane highway.

The current Wal-Mart store on West 11th Street is Coffeyville's largest retailer generating the highest customer traffic counts. By relocating to the extreme eastern edge of town, the Wal-Mart Supercenter will greatly affect the shopping and traffic patterns in Coffeyville. Customer traffic, particularly out-of-town traffic, will be diverted away from West 11th Street. The lower customer traffic counts may adversely impact sales for those major retailers operating along West 11th Street. The Wal-Mart Supercenter will offer an expanded grocery department which may adversely impact the two grocery stores now operating in Coffeyville. Traffic counts at the intersection of U.S. 166 and U.S. 169 will increase significantly, drawing additional retailers. Based on the development patterns surrounding other Wal-Mart Supercenters in rural areas, prospective retail formats attracted to the intersection of U.S. 166 and U.S. 169 include major anchors, junior anchors, small shops and freestanding restaurants, bank branches and convenience stores. To protect the City's 11th Street commercial district it is recommended to restrict the inventory of land designated for commercial use surrounding the planned Wal-Mart Supercenter site.

Downtown Coffeyville

Downtown Coffeyville's primary assets in stimulating revitalization include: 1) 60 existing businesses create a critical mass of business and pedestrian activity; 2) the presence of such historic sites as the Dalton Museum, Perkins Building, Dalton Defenders Plaza and Death Alley and Midland Theatre; 3) government offices include Coffeyville City Hall and United States Post Office; 4) major businesses such as Westco Home Furnishings and Isham True Value Hardware; and 5) a large inventory of architecturally significant buildings. The 72-room Sleep Inn now under construction on 11th Street should assist in marketing to tourists.

Primary liabilities and constraints hampering downtown revitalization include: 1) despite low building acquisition costs, low rents and the high costs of renovations preclude financially feasible adaptive re-use of buildings; 2) very low traffic counts due to is location off U.S. 166 make it difficult to attract retailers; 3) narrow one-way streets reduce traffic flow; 4) large inventory of buildings in poor condition create vacancies and business dead zones located primarily on 9th Street; 5) lack of commercial space in suitable condition available for immediate occupancy; 6) limited connectivity to the 11th Street corridor and 7) the lack of a true identity. Considerable economic incentives will be needed to foster financially feasible redevelopment of vacant buildings in downtown Coffeyville.

Establishing a marketable "identity" and promoting the city's historic attractions will be critical in improving the viability of the downtown area as a business, shopping, entertainment and civic destination. The "vision" of downtown Coffeyville should be to retain its historic character and

create a business district offering a blend of economic, governmental, cultural, entertainment and pedestrian activities. Professional and personal service firms now account for half of downtown businesses. These businesses don't promote high pedestrian activity particularly after 5:00 pm. A primary goal in the revitalization of downtown is to create a larger concentration of retail businesses and restaurants to promote heightened pedestrian activity and improve the connectivity of downtown businesses with the 11th Street corridor.

The historic character of the buildings in downtown should be preserved. Emphasis should be placed on the adaptive re-use of existing vacant buildings and the redevelopment of under-utilized properties. One constraint these buildings face is excessive renovation costs. Possible solutions include façade improvement grants, low interest loans, property tax incentives and historic preservation tax credits.

Low traffic counts and a buried location one block north of 11th Street make it difficult to attract retail businesses. Connectivity and exposure to the 11th Street corridor will be critical in improving the business climate of downtown Coffeyville. Possible solutions include creating a "gateway" entrance for downtown on 11th Street at either Maple Street or Patterson Street. Such a "gateway" entrance would provide a sense of arrival and place as well as improve downtown's exposure to 11th Street's high traffic volumes. Connectivity can also be improved by redeveloping the commercial structures along the north side of 11th Street between Maple Street and Patterson Street. These new "urban character" buildings would improve downtown's critical mass as well as provide a "front door" onto 11th Street.

Emphasis should be placed on incorporating public space into the downtown in an effort to create an increased sense of place and community, improve market perception, and create venues for performances and other public events. Downtown businesses would gain by the increased pedestrian activity generated by special public events. Public space currently exists adjacent to the Perkins Building. This public space should be enhanced and/or additional public space created within the downtown core to promote a wider range of public events.

Upgrade public infrastructure, including streets, landscaping, lighting and signage. Initial streetscape improvements along Maple Street north of 11th Street would leverage off a downtown "gateway" entrance and create a sense of destination and arrival into downtown.

Destination retail businesses are best suited for downtown Coffeyville that cater to both local residents and out of town visitors. Prospective retail categories include eating and drinking places, dance and music studios, home electronics and appliances, antiques, coffee shop, books and music, hair salon/barber, and gifts and crafts. These retail categories are designed to compliment downtown Coffeyville's current retail base as well as cater more to the local tourism market. These prospective tenants along with the existing retailers would create a cluster of home furnishings and entertainment businesses. Prospective office tenants include banks and financial services, insurance, lawyers and travel agents.

Prior to the flood, Coffeyville suffered from a tight housing market with much of its housing stock in substandard condition. Given modest income levels in Coffeyville the need for rental housing is apparent. Incorporating rental housing into downtown Coffeyville would both assist in the City's housing crisis and improve pedestrian activity downtown.

ADDENDA

EXHIBIT A

Canyon Research Southwest, Inc., Client Roster

CLIENT ROSTER

During its period of operation, Canyon Research Southwest, Inc. has provided real estate consulting services for a number of leading organizations including:

Arizona Attorney General's Office
Arizona State Land Department
Aspen Group
Bain & Company, Inc. (Boston, Massachusetts)
Bashas' Markets, Inc.
Belz-Burrow (Jonesboro, Arkansas)
Biskind, Hunt & Taylor
Brook Group
Browning-Ferris Industries
Burch & Cracchiolo PA
CB Commercial
CEI Realty Company (San Francisco, California)
Cavan Real Estate Investments
Church of Jesus Christ of Latter Day Saints
Circle G Development
City of Belton, Missouri
City of Fenton, Missouri
City of Glendale Economic Development Department
City of Grain Valley, Missouri
City of Independence, Missouri
City of Lee's Summit, Missouri
City of Manhattan, Kansas
City of Mesa Economic Development Department
City of Mesa Real Estate Services
City of Norman, Oklahoma
City of Osage Beach, Missouri
City of Phoenix Economic Development Department
City of Phoenix Real Estate Department
City of Tucson Community Services Department
City of Warsaw, Missouri
City of Webster Groves, Missouri
Danny's Family Car Wash
Diamond Ventures
D.J. Christie, Inc. (Overland Park, Kansas)
DMB Associates, Inc.
DMB Sports Clubs (Phoenix, Arizona)
DMJM Arizona, Inc.
Dushoff & McCall
Gammage & Burnham
W.M. Grace Development
Greystone Group (Newport Beach, California)
Greenberg & Associates, Inc. (Tucson, Arizona)
Holiday Hospitality Corporation (Atlanta, Georgia)

Kaiser Permanente (Oakland, California)
Landmark Organization, Inc. (Austin, Texas)
Lee's Summit Economic Development Council (Lee's Summit Missouri)
Lerner Companies (Omaha, NE)
Lewis and Roca
Lincoln Property Company
LoftWorks (St. Louis, Missouri)
Lowe's Home Centers, Inc. (North Wilkesboro, NC)
Maclay Properties Company (Dallas, Texas)
Marriott International, Inc. (Washington, D.C.)
McGowan Brothers Development (St. Louis, Missouri)
McGowan/Walsh (St. Louis, Missouri)
Metropolitan Housing Corporation (Tucson, Arizona)
Miller, Klutznick, Davis, Gray (Denver, Colorado)
Navajo Nation Division of Economic Development
Northern Equities Company
Northern Trust Bank
Opus West Corporation
Pederson Group, Inc.
Phelps Dodge Corporation
Piper Jaffray (Kansas City and St. Louis, Missouri)
Pyramid Companies (St. Louis, Missouri)
Pivotal Group
Pizza Hut (Denver, Colorado)
Pulte Home Corporation
Pulte Home of Greater Kansas City
Ralph J. Brekan & Company
Rancho Sahuarita Development (Tucson, Arizona)
RED Development (Kansas City, Missouri and Phoenix, Arizona)
R.H. Johnson Company (Kansas City, Missouri)
River Run Development (Boise, Idaho)
Royal Properties (Champaign, Illinois
Ryanco, Inc. (Aspen, Colorado)
Steiner + Associates (Columbus, Ohio)
SWD Holdings, Inc. (San Francisco, California)
Tetra Tech, Inc. (Tucson, Arizona)
The Innova Group Tucson
The University of Arizona Department of Economic Development
The University of Arizona Medical Center
Union Homes (Salt Lake City, Utah)
Unified Government of Wyandotte County and Kansas City, Kansas
Wal-Mart, Inc. (Bentonville, Arkansas)
Wells Fargo Bank Corporate Properties Group
Wolfswinkel Group
Yavapai-Apache Nation (Camp Verde, Arizona)

EXHIBIT B

Resume of Eric S. Lander, Principal
Canyon Research Southwest, Inc.

ERIC S. LANDER

EDUCATION

In May, 1981, Mr. Lander received a B.S. in Marketing from the Arizona State University College of Business Administration. He attended Arizona State University from September 1977 to May 1981, and received honors status for his superior cumulative grade point average. During this time, he was an active member of the Marketing Club and National AMA as well as a participant in several research projects involving both local and national firms. In May, 1992, Mr. Lander received a Masters in Real Estate Development and Investment from New York University, graduating with honors.

BUSINESS EXPERIENCE

Canyon Research Southwest, Inc.
President (October 1984 to Present)

Established Canyon Research Southwest, Inc. as a multi-disciplined real estate consulting firm designed to provide comprehensive research and analysis to the development, financial, investment, and municipal communities. Responsibilities include direct marketing, project management, staffing, and client relations. The firm has performed in excess of 400 major consulting assignments with over 75 local and national clients. Fields of expertise include market and feasibility analysis of large-scale master planned communities, freeway oriented mixed-use projects, retail centers, office complexes, business parks, and hotels. Additional services include fiscal impact studies, property valuation, and development plan analysis.

Mountain West Research
Associate (December 1988 to January 1990)
Senior Consultant (October 1983 to October 1984)

Mr. Lander assisted in managing the Commercial Real Estate Services Division of Mountain West, Arizona's largest real estate and economic development consulting firm. Responsibilities included direct marketing, personnel management, client relations, and consulting on large-scale commercial, office, industrial, and hotel projects. Also contributed to several real estate publications and assisted in the management and marketing of the firm's commercial, office, and industrial (COI) data base.

Iliff, Thorn & Company
Marketing Assistant (January 1982 to December 1983)

Joined Iliff, Thorn & Company during its infancy and became solely responsible for providing in-house marketing support services to its commercial real estate brokers. These services included demographic research, office/industrial/retail market studies, raw land sales packages, site selection analysis, client relations, and property research. Major accomplishments included establishing and implementing office and industrial absorption studies, devised central office market and available raw land files, and organized the development of an industrial/retail map. Also, during this time, Mr. Lander obtained a real estate sales license and became involved in commercial brokerage activities.

RANGE OF EXPERIENCE

In 1987, Mr. Lander, in cooperation with the Drachman Institute of Regional Land Planning, published a working paper titled "Land Development as Value Added in the Development Process and Appropriate Criteria to Rank Sites for Selection of Master Planned Satellite Communities." Since the publication of this working paper, Mr. Lander has conducted numerous market feasibility studies on existing and proposed, large-scale, master planned communities in the Southwestern United States, totaling over 80,000 acres. The working paper was also evaluated and utilized by such prestigious universities as Harvard, M.I.T. and the University of North Carolina as part of their Masters program in Real Estate, City and Regional Planning, and Business.

Mr. Lander is an instructor with the Commercial Real Estate Institute, teaching classes in Market Analysis, Commercial Property Valuation and Land Valuation.

Developed a model designed to evaluate and rank the development potential of freeway interchanges. The methodology for ranking freeway properties is based on a list of 25 criteria which provide a framework to efficiently compare the strengths and weaknesses of various freeway sites. Seven (7) criteria have been established which apply to metropolitan area economic base and real estate market, five (5) criteria evaluate the region influenced by the presence of the freeway in question, and thirteen (13) interchange and site-specific criteria are aimed at determining future real estate development opportunities. This model has been utilized in evaluating freeway-oriented, mixed-use projects anchored by regional malls, business parks, office complexes, and hotels.

Mr. Lander has provided consulting services on downtown redevelopment and historic preservation efforts. Recent examples include a heritage tourism study for the Erie Canal terminus in Buffalo, New York; evaluation of potential office, retail, hotel and arena development in the downtown areas of Glendale and Mesa, Arizona; retail market evaluation and redevelopment plan for downtown Warsaw, Missouri; a downtown master plan for downtown Lee's Summit, Missouri; and a redevelopment plan for the 24 Highway Corridor in Independence, Missouri.

Mr. Lander has conducted *TIF and TDD Revenue Projections* for a variety of large-scale retail projects in Missouri and Kansas. Tax Increment Financing and Transportation Development Districts are government-backed funding mechanisms designed to finance project-specific public infrastructure improvement. Funded is provided via the issue and sale of bonds. In the case of Tax Increment Financing the bonds are repaid with incremental increases in property tax and sales tax revenue generated by the designated redevelopment area. Transportation Development Districts involve the levy of an additional sales tax on businesses operating within the redevelopment area.

Mr. Lander has conducted *STAR Bond Feasibility and Market Studies* on several proposed developments in Kansas, including the Kansas City Tourism District, Legends at Village West, Kansas City Research & Medical Campus, and Rosedale Station Shopping Center. The *Market Study* evaluates the market positioning, market demand, short-term development potential, and economic impact for the proposed Redevelopment District. Meanwhile, the *Feasibility Study* provides a STAR Bond revenue vs. costs comparison to determine the ability of the Redevelopment District to cover debt service for the projected STAR Bond obligations throughout the bond maturity period.